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THE OUTLOOK

Public Enthusiasm Versus Limitation of Speculative Capital—Efforts to Check Inflation—Effect Upon the Market—Business Improving —Tariff and Excess Profits Taxes—The Market Prospect

THE bull market has now reached the point where the general price level is the result of a contest between public enthusiasm and the limitation of speculative capital. This point is eventually reached in nearly every bull market—although a few exceptions are to be found in the history of Wall Street, when a bull market culminated simply from getting out of breath, so to speak, and not because of lack of capital with which to put prices higher.

The lack of liquid capital, either in Wall Street or in general business circles, is always indicated by rising money rates. The peculiarity of the present situation is that call money rates only have risen. Commercial paper rates, Federal Bank discount rates, and even Wall Street time money rates, show little change.

This condition is chiefly due to the fact that the banks which have usually loaned heavily on call are members of the Federal Reserve system or are in one way or another dependent upon Federal Banks and the Federal Board at present frowns upon loans by member banks for purposes of stock speculation. So funds are diverted from call loans to other uses, and call money rates are relatively higher than other money rates.

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Efforts to Check Inflation

IN this issue Gov. Harding of the Federal Board, in an article of the highest significance, expresses what is probably the view of the Board as a whole to the effect that loans to foreign countries, which are absolutely necessary to the maintenance of our export trade, should be made by one large private corporation or trust, which can then place either the foreign securities or others representing them, directly with American investors.

It is evident that the Board fears the credit inflation which would result from loans to foreigners made by the Government itself. Such loans would necessarily be represented by an issue of U. S. Government securities in some form, and these U. S. securities would be discountable at the Federal Banks. Thus to a very large extent, by that method, our foreign trade would be financed through the creation of additional bank credits, which in turn would cause further inflation of our general credit situation, with higher prices, a further rise in the cost of living, and all the disturbances which naturally accompany inflation.

It is indeed a question whether loans extended to foreign buyers on the basis of further credit inflation here, would be of any permanent benefit to the United States. If our investors can be induced to apply their savings and profits directly to the purchase of securities representing such loans, further credit inflation may be avoided and the whole situation kept in a much stronger position.

Will This Limit the Bull Movement?

IF this plan of placing foreign loans direct with American investors is carried out successfully, it is clear that a considerable amount of capital will be diverted from our listed securities which otherwise would naturally find its way into them.

There is, in fact, a lively demand for new capital for use in this country as well as abroad. New companies incorporated in the Eastern States in June were capitalized at $1,255,000,000. The increase in this item has been steady and rapid since February, when new incorporations were only $323,000,000. The June figures were really startling. The result cannot be other than heavy offerings of new securities, which will tend to draw investment capital away from existing stocks and bonds and also will reduce the amount of American capital which might be available for foreign uses.

It is also to be remembered that expanding general business at high prices demands a constantly increasing amount of credit. Bradstreet's commodity price index July 1 was up over 9% from March 1, and was only 1½% below the extreme high of the war period. To handle more goods at higher prices, more credit is evidently necessary.

Thus the man with $10,000 of free funds will have no trouble to find a place for it. His expanding business may require it; or he may want to buy an attractive foreign bond with it, or stock in an investment trust holding such bonds; or he may fancy some one of the numerous new bonds or stock issues constantly offered. His $10,000 will have to run the gauntlet of these various opportunities before it reaches the ordinary list of securities quoted on the exchanges. And there can be no doubt that there will be an increasing diversion of investment capital away from the current bull market into these other channels.

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Business Activity Growing

IN hardly any branch of business is there now any difficulty about a good demand. Even in the copper market, where a short time ago heavy stocks on hand and absence of demand depressed prices below 15 cents a pound, the rebound has already carried the metal to 21 cents. Iron production, steel production, and U. S. Steel's unfilled orders all increased during June. Building construction is increasingly active and prices of building materials are rising. Business failures are at a new low level.

The Government's July forecast indicates a large crop of corn and a record crop of wheat, and since there is likely to be a wheat shortage taking the world as a whole, it may be assumed that these crops can be sold at good prices, to say nothing of our Government guaranty on wheat. The cotton crop, though small, will be in such sharp demand that the amount of cash realized from it will be impressive.

It seems clear, therefore, that the farmer will continue to be prosperous and to have money to spend in spite of the high cost of everything he has to buy. Agricultural prosperity is the backlog of American business. So there is every reason to expect a lively domestic trade this fall.

At present export demands are limited only by tonnage available. Southern Europe is hungry for coal; many countries want our steel products; almost the whole world wants our foodstuffs. A good deal of shipping has now been released by the Government to ordinary business uses, but the demand exceeds the supply, and a profitable business for shipping companies is in prospect—especially now that the Government has abandoned control of rates.

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Exports and Imports

IN connection with the advance of our commodity prices to nearly their high war level, it's notable that English prices have fallen about 10% below their previous high. This is a reversal of the conditions of a few months ago, when our prices were down 10% and English prices still near the top.

At the same time sterling exchange has fallen at New York until a dollar here is worth nearly $1.10 at London. These changes in the situation are greatly to the advantage of the British exporter who ships goods to America. Our prices are higher, English

prices are lower, and the dollar in which the English exporter is paid is worth more than a dollar to him in English money.

All this points in the direction of increasing imports into the U. S., and eventually decreasing exports also. At present the needs of various foreign nations are so acute that our exports must continue large for a time, almost regardless of prices; but that is only a temporary condition. Europe, especially, will be under the necessity of stringent economies in order to accumulate new capital to take the place of that dissipated in war. At present she is still under the influence of the fever of war extravagance, but that cannot last. Europe must soon begin to study prices closely, to cut imports where possible, and to build up exports; and America, under the change in conditions above mentioned, is becoming a relatively better market to sell in and a poorer market to buy in.

Undoubtedly we still have a period of good exports ahead of us, and we should be able to sell heavily to neutral nations generally; but we must also expect our imports to grow rapidly. So far as these imports represent payment, in the form of goods, of the big interest balances due us from abroad, they mean simply that we are richer than we were before the war. But considerable industrial readjustment may become necessary to meet the changed conditions.

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Tariff and Excess Profits Tax

AMERICAN manufacturers will naturally look with disfavor upon imports which compete with their own products, and we may count upon a good deal of agitation for higher tariffs as our imports grow. At present, however, with a Democratic president and with the Republicans more or less divided in opinion, any general advance in tariff duties seems improbable, though some "infant industries" may get more protection.

An early removal of excess profits taxes, which are wrong in principle anyway, would be of great help in encouraging new enterprises and in discouraging extravagant expenditures by companies which now enjoy liberal earnings. It is certainly to be hoped that Congress may take such action at the earliest possible date.

As matters stand now, the man or the company taking the risk of a new undertaking must stand all the loss if loss results and must pay over to the Government a very large part of the profits if liberal profits are obtained. Likewise a company of long standing, if it increases its profits by enlargement of the business, must share the increase with the Government. In other words, we have a heavy penalty on the expansion of industry and a premium on corporate extravagance. No argument ought to be necessary to show the evils of that condition.

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The Market Prospect

IT is estimated that stock market loans are now above $1,500,000,000 and market observers report that there is a noticeable increase in the floating supply of many issues. Probably the "danger point" has not yet actually been reached, but it is clear enough that present tendencies are working toward that point.

With the great increase in our bank clearings, higher prices and expansion of business and manufacturing capacity, it would naturally be assumed that loans on stocks would also reach a new high level. On the other hand the influence of the Federal Board is being thrown strongly against such loans, so that the market will now be for the most part dependent on institutions outside the Federal System for any further increase in loans.

Prices of industrial stocks, taken as a whole, are now at a relatively high level. Doubtless some issues will reach still higher prices, but the difficulty of selecting them and the possibilities of loss when a mistake is made are now great enough so that the investor who makes the attempt is taking a considerable risk.

There is a radical difference between the position of the rails and of the industrials. The rails have risen but little, and they are not "overbought"—the only question is whether they are entitled to rise. We believe that the best railroad stocks are well worth their present prices, on their earnings and prospects, in spite of the general feeling of discouragement about them, and that probabilities favor a further advance in these issues before the bull market finally culminates.

Tuesday, July 15, 1919.

One Big Financing Unit Best for Export Trade

Advantages Over Operations by Several Organizations—$3,000,000,000 Needed—Public Could Absorb These Bonds in Three Years

By Governor W. P. G. HARDING of the Federal Reserve Board

EDITOR'S NOTE.—When President Wilson, in August, 1914, invited William P. G. Harding, of Birmingham, Alabama, to become one of the first members of the Federal Reserve Board,—that organization of seven members which wields the greatest financial power in the world,—he selected one who undoubtedly would have been the first choice of the entire South. That the confidence of his sponsors has been fully justified is indicated by his election in 1916 to the position of Governor of the board, and his successive re-election in 1917 and 1918.

In 1896 he was elected vice-president of the Berney National Bank of Birmingham, and in 1902 he was elected president of the First National Bank of that city, a position he held when called to Washington by President Wilson.

There is probably no better informed man in the South on the economics of cotton than Governor Harding. When cessation of hostilities came last November he saw immediately that prompt steps would be necessary to finance the export of this tremendous raw material product. It was he who evolved the plan of organizing a huge export corporation to provide the necessary finances by the issuance of its obligations based upon exports of cotton. This corporation is already forming, although it is quite likely its functions will be taken over by the larger corporation, the merits of which Governor Harding discusses in this issue of THE MAGAZINE OF WALL STREET. As a matter of fact, the larger corporation is but the development of the plan which Governor Harding suggested to the cotton exporters, and is modeled upon the lines of that organization.

THE one way to quiet the social unrest now prevalent in all the countries of Europe is to start their people to work. When people are busy at productive enterprise, when industry is teeming and good food is plentiful there follows stability in government. That desirable condition can be brought about only by assistance of America, and we must face the condition and extend the help.

Loans by the United States Government can no longer be made to European nations. Financing the operations of reconstruction must be from private sources here. The Government has already lent about $10,000,000,000 to Europe, and we estimate that the needs of reconstruction will call for further loans of about $3,000,000,000.

Europe is mostly in need right now of basic materials which constitute our exportable surplus products such as cotton, copper, wool, textiles and foodstuffs. It is equally important with us that we have a market for these products, for if the market is curtailed it will cause unemployment here. Hence, there is a double need for the movement of those materials to Europe.

Corporation to Help Exporters

To meet the problem of financing the exports of our surplus products there has been planned a corporation which should act for exporters of the various groups. Many advantages are suggested by the plan of one large corporation rather than attempting the financing through individual group organizations.

It will be the function of this large corporation to market the obligations arising from exports and based upon long-term credits extended to European buyers. The cotton exporters, for

instance, will take their bills to the corporation, evidencing transactions with foreign buyers, and those bills will be issued in the form of obligations for investment. Every other group of exporters do likewise, and the obligations will be secured by the resources of the large corporation, backed by the credit of the exporters and the importers.

It is not necessary, nor is it desirable, that the corporation should serve as an agency to push trade with Europe. Its purpose should be mainly to aid in the rehabilitation of the devastated countries and to assist our exporters in marketing surplus exportable materials.

The Federal Reserve Board wishes to emphasize that the financing of the exports is an investment, rather than a banking problem. In our efforts to aid Europe, incidentally helping ourselves, we should be careful not to strain the resources of our banks. It would not do to have the banks choked with acceptances, providing renewals and long time maturity. The banks' resources must be kept liquid.

The Board, however, is desirous of assisting in all possible ways in the financing operations and with that end in view has given its approval to a bill introduced in the House of Representatives by Mr. Platt which permits national banks until January 1, 1921, to file application with the Federal Reserve Board for permission to invest without regard to the amount of its capital and surplus five per cent of its paid in capital and surplus in the stock of one or more corporations principally engaged in such phases of international or foreign financial operations as may be necessary to facilitate the export of goods, wares or merchandise. The total investments proposed to be authorized under this act shall not exceed ten per cent of the bank's capital and surplus.

Term for Credits Three Years

The Federal Reserve Board feels that the term of the credits should be for not more than two or three years. In the case of machinery it might be necessary to extend the credit for a longer period, under a serial plan, protected by mortgage.

The participation of the banks in the financing operations to the extent permitted under the proposed act is a recognition by the Federal Reserve Board of a reasonable responsibility resting upon the banks of the country to share in the financing of the exports. Participation by the banks will mean, to that extent, supervision by the Government.

There is no doubt of the ability of the people to absorb the securities which will be issued by the large corporation. They will undoubtedly prove very attractive to investors, and if the country can subscribe $25,000,000,000 for Liberty Bonds, which it did in two years, there is little doubt that it can take $3,000,000,000 of the corporation's issue in three years, which is the length of time the Board estimates will be needed to place Europe in position to produce enough for its own needs and to begin actively exporting its surplus.

The Professions and Their Investments

Seventh Article in the Series "Financial Independence at 50"—Comparison of Results Shows Striking Anomalies—Use and Abuse of Educational Advantages

By VICTOR DE VILLIERS

BEFORE dealing with the main topic of investments for the professional man or woman, we might, without attempting any class distinction make clear for whom this article is primarily intended. One cannot do better than be guided by the Standard Dictionary's ingenious, though broad, definition which places all those in the professional class whose occupation is the result of a liberal education, and involves mental rather than physical labor. Accepting this at its face value, it would seem that every man or woman who uses brains rather than brawn would be swept into the professional fold, and this would not exclude the storekeeper, farmer, or salesman if he directs the energy, of others, has a liberal "education" and,—does not perspire too much while working.

Offhand, however, the average person would name followers of the ministry, medicine, law, authorship, teaching, engineering, architecture, science and artistry as forming the principal professions. Business management including the ownership of businesses might well be added, including farming in which scientific methods have so largely replaced the haphazard, hit-or-miss method, of our forbears.

A Strange Paradox

Lest the more learned professions like the ministry, law and medicine might take umbrage at the inclusion of so many others in their rather exclusive sphere—in England, members of the three learned professions call themselves "gentlemen of the third estate"—they might well take a leaf out of the farmer's investment book, and follow his policy, which from the writer's observation may be summed up in the creed, "I know I don't know, therefore I will ask some one who does." When the farmer harvests his crops and is in possession of the proceeds he will be found in friendly consultation with his banker very soon after. A much closer relationship exists between country bankers and farmers than is the case with most other classes, and the result is beneficial to both. The action of one of these bankers towards his farmer-customer in a recent case that came to the writer's notice is typical: the farmer's attitude emphasises the strange paradox that the man who is supposedly the least informed uses the shrewdest method of avoiding losses.

THE MAGAZINE OF WALL STREET was asked by a farmer whether it endorsed the selections of bonds in its "Bond Buyer's Guide," as upon asking his local banker for advice as to the investment of funds, the banker had merely picked up a copy of the magazine and showed his customer our bond list which appears in every second issue. Here was a case of super-caution, in making assurance three times sure: and the object lesson comes from a member of the class supposedly unsophisticated in handling money. It will be found upon investigation that farmers are foremost in thrift; and that the same care used in accumulating is generally applied in investing, either in good land or investment securities that give them an immediate return. Moreover the farmer buys and holds for "the long swing and the full bucket." Being an investor in the full sense of the word, he is never concerned with temporary depreciation in values, and rightly follows the principle that having carefully investigated before buying there is no reason for selling while returns and ultimate prospects are still good.

It may be that the solitary life, hard work at times, and long waits between seasons have disciplined the farmer so that patience is not only an inherent

virtue, but also a habit. Without going too deeply into the causes, the habit is one of the best that can be acquired for success in investing, and that is perhaps the reason why the farmer is a great success as an investor.

It is to be doubted whether the farmer's philosophy towards investments could be improved upon by busy professional men and women in all ranks, and there is still less doubt that the inability to exercise patience, and the disinclination to investigate, is responsible for the large losses that seem to hit those following the more humanitarian professions like teaching and the ministry—the latter in particular. Those who follow these professions are inculcated by their very training with the belief that all mankind means well, that every man is their friend, and that statements should be accepted at their face value until the opposite is proven. A benign believing character, faith in their fellow-beings, and a disposition to trust the other fellow, are all splendid attributes when practiced in a *profession* that is essentially humanitarian. They are quite out of place, however, when it comes down to exchanging the fruits of years of labor for paper evidence of value—or more often allegea value. No sentimental considerations should find a place in the business of investment, which is an ice-cold business proposition that has got to be proven—by the other man.

It is true that isolated cases arise of profitable speculations on the part of the least informed among these professional classes, but even a sulphur mine usually has a volcano underneath, and if one cares to take chances with latent volcanoes, it is about an even chance of success or destruction. There is but one route for the professional classes whose life work is elevating humanity, and who by instinct dislike disbelieving anyone. Like the farmer they should "play safe" and in their investments, at least, place the burden of proof on the seller.

The minister of religion in particular has exceptional opportunities of getting reliable advice since he comes in contact with the foremost citizens and is almost invariably on friendly terms with the leading bankers and business men of his community. Which minister does not number among his congregants a banker or two, and many shrewd business men? He should consult these people who will be sure to advise him carefully and conscientiously, or direct him to the best source of information. The professor and teacher is similarly situated towards his community, and unless he (or she) has made a particular study of the subject should seek out those among their acquaintances who have been most successful in business, to inquire how it has been done.

It is not out of place to say that a minister's actions investment-wise are likely to influence his congregants, and his situation can become embarrassing where least expected. The statement by an unscrupulous promoter that "the Reverend Mr. Doe has invested in our Fo-nee Oil Company" is often sufficient to loosen the purse-strings of the most cynical among the minister's friends and acquaintances; and if the Fo-nee Company should prove a loser, a good deal of moral blame can attach to the Reverend Mr. Doe's tacit approval as evidenced by his ownership of stock.

Single-Track Minds

The position of members of the dual professions of law and medicine is not appreciably superior, as is generally supposed, when it comes to a question of choosing their investments. One striking proof of their known "vulnerability" is the affection that is shown them by the gentry whose principal stock-in-trade is a batch of stock certificates, ready promises of affluence on nothing, and some equally intangible oil and mining prospects. The doctor and lawyer seem particularly in demand when the promoters' mailing lists are compiled, and in the latter case at least one would suppose that there would be hesitation in bearding the lion in his den.

The promoter is a good judge of human nature, and knows that the time of these professional men prior to their hanging out their shingle for themselves was fully taken up in the ardous study necessary to fit them for their life work. In the practice of their profession they have had neither the time nor inclination

to study outside of their immediate objective, and in the majority of cases they are busy men who will not have time to check up on facts—or rather on the generalities which are presented in the guise of facts.

Their single-track minds has been an aid to success in their chosen career of specialists in a single direction. The doctor will find it very difficult to judge an investment without years of study. He would not prescribe for himself, and would pity the patient who attempted to doctor himself with patent medicines, home-made nostrums, or worse still, quack prescriptions.

Every lawyer knows that the client who is his own lawyer, and tries to legalize himself, has "a fool for a client."

In both cases, the lawyer and doctor has come into contact with those who have purchased "Medicine for the Masses" or "Law for the Layman" at so much down, and so much weekly. They know that these people would have been better off with their poor foundation for assimilating scientific knowledge, had they never met the book-salesmen.

The lawyer or doctor who buys his investment upon a somewhat similar plan, or who bites upon the bait in unsolicited "investment" literature that comes into his mails is more deserving of blame than the masses who do not possess his educational advantages.

Of the two, the lawyer is far more capable of receiving a mass of facts, analyzing them, and forming a conclusion, his training having been along those lines. In association with business men he usually outshines all others in the investment field, as a glance through a Directory of Directors proves. His mind and training give him a formidable advantage over most other professional men, perhaps not even excluding the banker. But—he is required to put in the extra training, and make up the deficiencies of a single-track mind by attrition with the broader-guage minds of business men.

The professor and teacher is singularly adapted to the business of absorbing knowledge. His or her mind is arranged in orderly methodical lines which refuses to accept on faith that which is capable of being resolved into fact or reason. The recent return of President Wilson to these shores is a reminder that one professor at least has controlled the destinies of civilized nations. One does not know whether there is a marshal's baton in every soldier's knapsack, but it is believed that every professor and teacher is well qualified to learn the essentials of investment, and that there is no excuse for the enormous losses suffered by the members of these professions each year through faulty investment methods. The libraries which are so popular with these professions are well stocked with financial works and books of reference, and it is a simple matter to acquire a financial library of selected books that will lay the foundation for broader study. Their modest cost should be an inducement to buy, hold and study. Even if the whole subject is not fully mastered, the writer believes that the knowledge gained will be found an invaluable investment that may repay itself in a manifold way, as a single good point well assimilated may prevent a mistake from becoming a disaster. The Book Department of THE MAGAZINE OF WALL STREET can be of great assistance in suggesting a course of study that will be found practical, at a cost within the reach of all.

The Epilogue

The writer has not discovered any special immunity that the professions enjoy as compared with their less erudite brethren. In many cases their greater social prominence has made them larger targets for those who go after bigger game. While they are better qualified by their educational training to achieve better things towards material independence in their later years, many of them do not seen to have seized the opportunity of sharing in the industrial prosperity of a country that is perennially on the upgrade.

The field is boundless in its advantages, and if no spectacular awards await those who will take knowledge for the asking, they will by investigation and study be better qualified to guard that which they have gained, and know where and how to turn if the need should ever arise.

The Financial Management of Your Business

Article No. 3—Prosperity Sharing With Workers—Profit-sharing, Pensions or Bonuses Which Appeal to the Beneficiary and Benefit the Giver

By PARK MATHEWSON

PROFIT-SHARING has been used in various forms since at least 1829, being most active in the last 40 years. Pioneers in profit-sharing, such as Lever Bros. of Port Sunlight, England, and Cambridge, Mass.; N. O. Nelson Mfg. Co. of the model town of Leclaire, near St. Louis, Mo.; Procter & Gamble of Ivorydale, Ohio, and numerous other smaller or less known companies have operated on the profit-sharing plan successfully for over a quarter of a century.

As with many other fundamental and social movements, profit-sharing clearly came from the old countries, for one of the first successful profit-sharing plans in the United States was founded in Leclaire, Ill., named after the "Father of Profit-sharing," Monsieur Leclaire of Maison Leclaire, Paris, France.

To illustrate further the careful working out and vogue of profit-sharing in the old country, we reproduce, Figure I, a visualized scheme of profit-sharing prepared by Lever Bros. of England, who also operate this plan in their large and exceptionally well-organized plant in Massachusetts. This visualization of the operation and benefits of the profit-sharing plan is a particularly effective one, it being well-known that many of the higher as well as of the lower class of employes will "get the idea" much more quickly and effectively through seeing it charted or demonstrated than by poring over a written plan or mass of figures, no matter how completely or clearly prepared.

This English firm has been a pioneer in new and practical adaptations of the co-operative idea. It has built the beautiful factory village of Port Sunlight, England, and is now endeavoring to arrange with the bankers to allow the firm to deposit the wages of its workers directly in the banks to the credit of the men, with the idea that a bank account thus started would tend to be beneficial to both worker, bank and employer.

The name adopted by Lever Bros. for profit-sharing, viz.: "The Co-Partnership Trust" is in itself a graphic description of true profit-sharing.

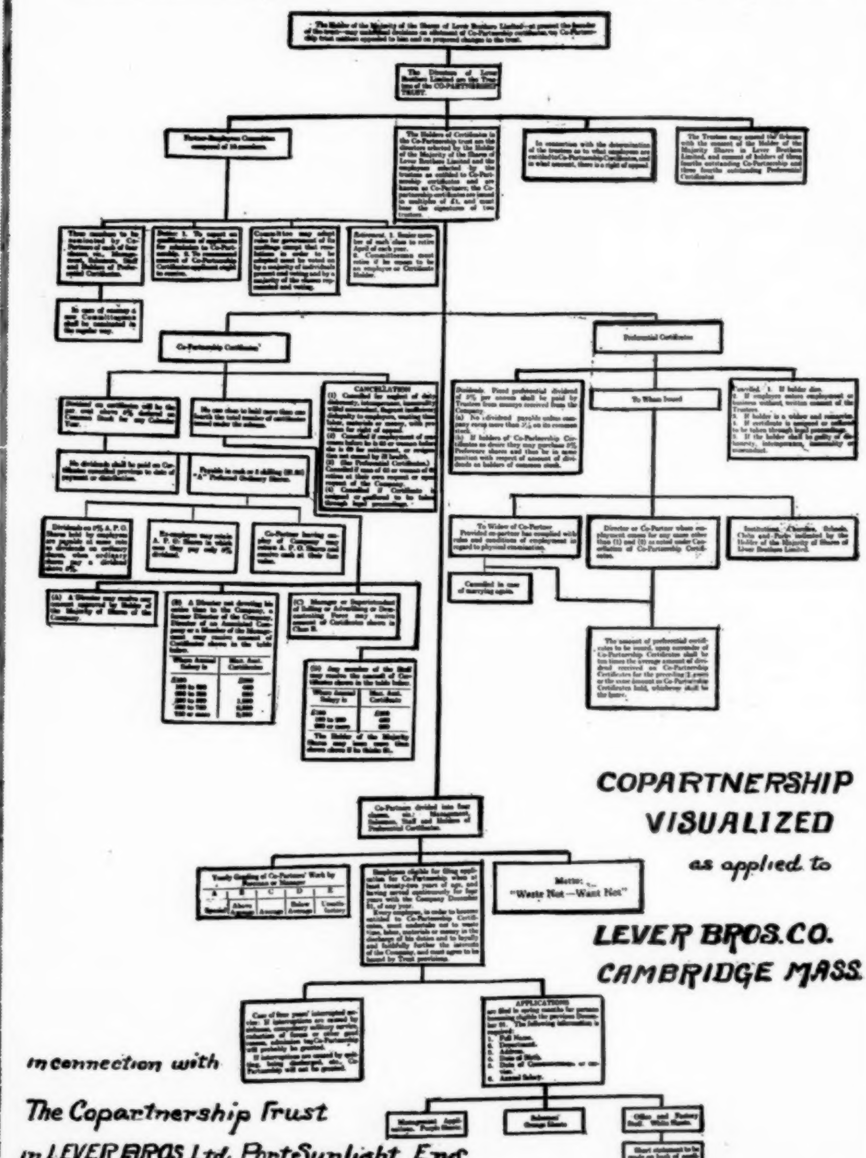
There are many modifications of profit-sharing, as laid down in one of the complete and fundamental discussions of the subject, printed some forty years ago, and it is well to have in mind the differentiations of the true profit-sharing and its various offshoots, such as bonus-giving, holiday gifts, production bonus, pensions, welfare work, etc.

We therefore quote from this original announcement, a short definition of true profit-sharing. It should not be understood that there is any necessity to limit profit-sharing to this exact description, as for its complete success it should be modified to suit the particular business and the object which it intends to attain.

For instance, this definition does not recognize profit-sharing as the 100 per cent. article unless it covers a majority of all employes in the company, yet, for certain reasons, it may be equally desirable or necessary that profit-sharing should only cover a limited number, and this is usually designated as partial profit-sharing. There is also what is called unit profit-sharing or the profit-sharing with an individual based on his results or those of a department, individual branch, or individual factory, so its application may be accordingly modified. The salient points of the original definition follow:

The International Congress is of opinion that the agreement, freely entered into, by which the employe receives a share, fixed in advance, of the profits, is in harmony with

"Tabloid Analysis" of a Successful Co-Partnership Plan



The Profit Sharing Idea of This Well-Known British Firm Has Been In Operation For Nearly Half a Century

equity and with the essential principles underlying all legislation.

By a "share" in profits is meant a sum paid to an employe, in addition to his wages, out of the profits, the amount of which is dependent on the amount of those profits.

It is to be observed that the money to be received by the employe under profit-sharing is to be received by him strictly as an employe, i. e. in consideration of the work done by him.

It is important to inquire how far a distribution of profits must extend in order to constitute a true case of profit-sharing. If the distribution be confined to managers, foremen and leading hands, or to any of such classes of employes, this, in the opinion of the committee, is not profit-sharing. A profit-sharing distribution may exclude persons who are not adults, or who have not been in the service of the employers for some reasonable qualifying period but must, in order to come within the definition of profit-sharing, include in any case a large proportion, which the committee considers should not be less than 75 per cent. of the total number of the adult employes who have been in the service of the employer for at least one year.

Few profit-sharing plans in this country are strictly according to the foregoing definition, as a great many of them are based on giving to the employe the same (or a proportionate) per cent. as the dividend paid on the common stock of the company, upon the amount of the wages received by those qualified for profit-sharing, during a certain period.

Profit-Sharing and Fixed Bonuses

Unless this is proportioned according to the exact amount of the net profits, as related to the wages of those participating, it can be seen that it is not true profit-sharing, but only a fixed bonus, as they do not receive all or even a certain per cent. of the total profits, but merely a part of the profits as declared by the Board of Directors, such as 5%, 6% or 10% on the common stock; the balance being used for other purposes or going to reserve, etc.

If the proper proportion of the balance is carried to a special profit-sharing fund to be distributed then or later, it tends more toward the true profit-sharing plan, although there is no doubt that to handle it properly, according to definition, it would be necessary to pay it out to those in the employ of the company who were qualified, when the profit was made, and not to hold it for or distribute it to employes who did not contribute towards this particular profit period. It is therefore evident that profit-sharing should be so handled as to impress the employe that it is proportional to profit which he helped to create.

The various modifications of true profit-sharing often have good business reasons, such as when a firm does not desire to give its full statement to its employes, nor even wish to put it within their power to ascertain the same through an examination of the books by themselves or by appointed auditor. However, it is desirable in any profit-sharing plan that all the safeguards possible should be thrown around the handling of the distribution of profits, so that those who receive them will be satisfied they are getting a "square deal," since it is easily realized that should those receiving the profits be suspicious or dissatisfied with them, for any reason, the distribution would do little good and might do real harm.

It has been found that profit-sharing cannot be handled by a simple agreement or an elaborate agreement, or in a cut and dried way. It should be planned by those best qualified to prepare it, and then a careful management or supervision be installed to carry it out, so that it will do the most good with those to whom it applies. This can only be done by careful consideration and the co-operation of all to build up the co-operative spirit and get the results usually desired by a firm, such as better, more conscientious or greater amount of work from the employes, or better or longer service, as well as the improvement of conditions and personnel of those receiving the benefits.

Testimony of Its Merits

That true benefit to the prosperity and profits of some concerns can be gained from a reasonable and proper application of the profit-sharing plan is evidenced by the continuation of the plan, over a long term of years, by many large and small firms, and their statements of satisfaction with various practical phases thereof. Illustrating this, we give some quotations from those best able to judge from experience:

The International Harvester Co. says:

Previous to the war, approximately 75% of

our employes in the United States and Canada were subscribers to the profit-sharing plan. Naturally, this number was decreased somewhat on account of the Government financing through Liberty Loan issues. In fact, we suspended payments to the profit-sharing plan to permit employes to purchase Liberty Bonds instead, if they so desired. At the present time more than 60% of our employes are subscribers to the plan.

We believe the plan has been a strong incentive to employes to save a portion of their wages and salary in a regular and systematic manner. The stock purchasing feature has been very popular with them.

The N. O. Nelson Mfg. Co. says:

We have read of various plans of other concerns for "Industrial Democracy" for employes to participate in the management of affairs, but it is our idea that these plans are not what the men want. All they are interested in is the money return for their labor. We also believe that even hours of labor are a secondary consideration with them.

It has been our idea that the profit-sharing dividends should be paid in stock rather than cash. The cash is readily dissipated, whereas the stock remains as a nest egg for old age. At the present time almost 20% of the capital stock of this company is owned by the employes other than the officials. The company has been operating under a profit-sharing plan since 1886.

Sewell-Clamp Envelopes says:

Our experience during the last twenty-five years in the effort to build up a community of feeling and interest between our company and its employes has its chief interest as an illustration of the effect of long continued constructive effort consistently maintained in one direction.

We early devised a scheme of profit-sharing, not based upon any definite percentage of the profits nor upon any binding obligation upon the company. Each year we divided among the employes in proportion to their earnings and to their length of service such share of our profits as seemed to us proper.

Working away from the idea of benevolence toward the conception guarding more carefully the self-respect of all, we issued some years ago to employes only a class of preferred stock, under such stipulations that the gratuity factor is reduced considerably, but it is not entirely absent. This stock is sold with the agreement that the company will at any time on 30 days' notice buy it back at its cost, including interest, and that it must be surrendered on these terms whenever the owner severs his relations with the company.

Dividends at the rate of 6% are guaranteed and as much more up to 12% as the common stock receives for the same period. These terms, of course, do not make the issue financially profitable to the company, but it has accomplished, in our judgment, a good deal in developing in those who hold it a sense of ownership with its responsibilities and stimulus. This plan is still in operation and out of it grew the recent distribution of common stock.

Our employes are paid on a task and bonus basis which is thoroughly understood by all those familiar with modern methods of industrial management.

It has been proved that the application of a cut and dried plan (even though it may be successful with one firm) is not practical with all others, for the conditions and human element come in, and experienced judgment must be applied to the proper solving of this as to any other basic problem.

Object Aimed at Considered

First must be carefully considered the object aimed at in the profit-sharing plan. Is it altruistic; is it for long service; for increased output; for bettering the conditions or paying more wages for a proportionate return? This can be ascertained by those who are able to decide upon the object sought but to formulate plans which will result in success, considerable technical knowledge of the subject is needed.

There are many books and treatises on the subject, covering the different phases, and also statistical and descriptive reports of successful plans and their results. A general study of the subject from all phases is apt to confuse, unless made by minds trained in analysis and selection, and also qualified to pick the special plan which will accomplish the best results, not only for those with whom the profit is to be shared, but for the company's activities and profits.

Those considering profit-sharing should not take it lightly, but carefully consider all its angles before its adoption. The business must be on a stable basis and show a continuous profit for four years to one of little or no profit. Results have proved that where a greater percentage than the one to four years results in little or no profit distribution, the employes are dissatisfied and become suspicious, and the profit-sharing plan will probably do more harm than good. Therefore, unless a business is well stabilized and its profits reasonably sure, some other modified plan such as production, service or some other bonus is often preferable.

Although profit-sharing, pensions, welfare and bonuses are in the same class, they should be carefully differentiated, as they do not work in the same way, although often tending toward the same results, and, in fact, all of them may be operated to advantage in the same concern.

The Pension System

The adoption of a pension system is a more serious step to take than the giving of bonunses or profit-sharing, as it entails a plan for the sometimes remote future of the worker or his dependents, and often involves a voluntary or involuntary contribution towards the fund by the worker himself from personal wages or a sum set aside by the company for his future care. It is therefore desirable to move slowly and after due consideration in the establishment of pension systems or even of profit-sharing, based upon stock ownership, whether held in trust, handled for future benefits, or otherwise planned.

Among thinking business men it seems to be the consensus of opinion that profit-sharing, as well as other co-operative methods, when properly applied, will be one of those factors helping toward the smoothing out of the differences between employer and employee.

Unions Antagonistic In Some Cases

This is stated, notwithstanding the apparently active antagonism to profit-sharing by the trade unions, which declare it is only a method the employer uses to undermine the unions and their arbitrary demands for certain wages irrespective of results. We can also point to strikes in large concerns which employ the profit-sharing plan, and although it is not always clear whether some of these strikes are participated in or formulated by those who share in the profit-sharing, or possibly those who do not, yet recent labor troubles in such firms as Willys-Overland Co., Studebaker Co. and the Ford Co. evidence the fact that profit-sharing is not a cure-all for labor unrest.

We believe that investors might do well to ascertain whether firms, in whose stock they are investing, for the long pull, have adopted any of these plans for efficient service and continuity thereof, as well as for satisfaction among their employes. When properly handled, profit-sharing is an asset in favor of the company, and one to stabilize stocks and profits.

(*Series to be continued*)

Wall Street Jottings

Frank H. Cauty, for several years assistant manager of the following companies and corporations, has been made joint manager, according to an announcement made yesterday: Liverpool and London and Globe Insurance Company, Ltd., marine department; Phœnix Assurance Company, Ltd., marine department; Norwich Union Fire Insurance Society, Ltd., marine department; the Thames and Mersey Marine Insurance Company, Ltd.; the Union Marine Insurance Company, Ltd.; Columbia Insurance Company of New Jersey; North China Insurance Company, Ltd.

Milton Harrison, secretary of the savings bank section of the American Bankers' Association since May 1, 1915, has resigned that office to accept a position as executive manager of the Savings Banks' Association of the State of New York. The resignation becomes effective September 1.

E. L. Doheny, president of the Mexican Petroleum Company, who has been in Europe since February 1, it was learned yesterday, is expected to return to this city some time next month.

George A. Gaston, president of the Stock Exchange firm of Gaston, Williams & Wigmore, has started for Europe for the purpose of conducting a foreign trade investigation.

Archer U. Rodney and Barnard Powers have formed a co-partnership under the name of Rodney, Powers & Co. to conduct a general brokerage and investment business with offices at No. 81 New Street. Mr. Powers is well known in the financial district as the managing editor for a number of years of THE MAGAZINE OF WALL STREET.

Walker Brothers, members of the Stock Exchange, announce William B. Boulton, Jr., formerly a member of the firm of Taylor, Bates & Co., has been admitted as a general partner in their firm.

Because of ill health, F. W. Klein yesterday retired as a partner in the firm of Colgate, Hoyt & Co. The business will be continued under the same name by the remaining partners, with the addition of Frederic S. Gordon, who has been admitted as a member of the firm.

Gerhardt Bleilevens, formerly associated with Henry Clews & Co., has joined the Stock Exchange firm of S. M. Schatzkin & Co., of 69 New Street.

C. F. Childs & Co. are issuing a card calendar giving data on all outstanding United States Government bonds and loans.

Frederick Bateman, formerly auditor of the Hudson Trust Company, is now associated with the Commercial Trust Company in charge of the loan and discount departments.

Liberty National Bank has been appointed transfer agent as to principal of the Crown Oil and Refining Company first mortgage serial convertible 7 per cent. gold bonds and registrar of the Barnsdall Corporation capital stock.

Leading Opinions

About Financial, Investment, Banking and Business Conditions

Hines Foresees Rate Increase

The possibility of another railroad rate increase to cover the deficit which is piling up was discussed by Director-General Hines of the Railroad Administration in a hearing before the House Interstate and Foreign Commerce Committee. He declared that before any action could be taken it would be necessary to find out how much of the deficit was due to decreasing business and how much to increasing costs of operations, particularly wages. Speaking of this problem, he said:

"My own view is that we have two phases of the question to consider. Our present deficit is due to two things. First, to the falling off of business of the roads. Second, to the increase in wages and the cost of materials, which are not met by the increased revenues arising from increases in rates.

"We are trying to segregate these questions so as to determine how much of the deficit is due to falling off of business and how much to the failure to make a sufficient increase in rates."

From the N. Y. *American*

MAKE HIM COUGH UP

In opposing the passage of the Senate bill restoring to the Interstate Commerce Commission the ratemaking power now vested in the Railroad Administration, Mr. Hines declared that it would not embarrass his department seriously, as cordial relations had existed always between the Railroad Administration and the commission.

"But as a matter of principle," he said, "it is wrong to have the President responsible for the operation of the railroads and at the same time give the commission the power to suspend rates before it has decided that they are unreasonable."

"Make Government Control Permanent"—Eastman

That the Government retain control of the railroads permanently was the proposal made in a letter to the Interstate Commerce Committee of the Senate by Joseph B. Eastman, the Massachusetts member of the Interstate Commerce Commission. He suggested that the Commission retain control over rates, as under private operation. According to him, the advantages of Government operation as a permanent policy are:

To ensure necessary capital, at low cost.

To avoid unduly high rates.

To solve the problem of the "weak" roads.

To obtain the operating advantages which come from unification.

To promote right relations with labor.

"I further believe," he said, "that while unfavorable criticism may be made of 'Federal control,' as it has been administered, the record is not encouraging, and the defects may be remedied. Better results can, I feel, be obtained by maintaining and improving national operation than by returning to old methods in whatever guise."

The Commissioner suggested that:

"1. Too much power has been granted, especially over rates. This has resulted at times in arbitrary action, and has given rise to the disquieting fear that such actions may be more frequent in the future.

"The Interstate Commerce Commission has been dealing with rates for years and is well organized for the purpose. It should be given the same power over rates under national as under private operation.

"2. There has been too great centralization of authority. The roads nationally operated should, I think, be divided into regional or other systems and these should be given a far larger measure of autonomy or 'home rule', so that all minor policies and some of greater moment can be determined on the spot.

"3. While the Federal Government should retain final control, independent interests should have a means of watching and helping in the management, either through advisory committees or more directly."

"Scrap I. C. C. Law"—Loree

Declaring that the Interstate Commerce Law of 1887 had become oppressive and antiquated, L. F. Loree, president of the Delaware and Hudson Company, offered suggestions for its improvement in a statement published in New York newspapers. Among the suggested reforms are the extension of the power of the Commission to intra-state rates insofar as they affect interstate commerce, and the conferring on the Commission of a large measure of power in labor disputes on railroads.

Among his proposals are the following:

1. The power of the Interstate Commerce Commission should be extended to cover state rates which in any way affect interstate commerce.

2. The power of the Interstate Commerce Commission should be extended to labor disputes, so as to require the wages and conditions of employment should be just and reasonable. Employes should be forbidden to conspire to interrupt interstate commerce. Strikes should be permitted only on the condition that the dispute must first have been submitted to the Interstate Commerce Commission.

3. A Bureau of Interstate Transportation should be created to operate under the direction of a chief, to be designated from among the members of the Interstate Commerce Commission, this bureau to take over all the executive and administrative functions of the commission.

4. The Interstate Commerce Commission should become wholly an adjudicating body; the term of office after the retirement of the present commission should be extended to nine years. The country might be divided into five interstate commerce regions, the natural traffic divisions of the United States, and one Commissioner should have his office in each of those regions, leaving three to sit in Washington. Commissioners assigned to regions should perform only such duties as may be assigned to them by the three remaining in Washington, and these three to exercise all the powers of the commission except those thus assigned.

6. The Interstate Commerce Commission should be required as soon as practicable to fix, either for the United States as a whole or for each interstate commerce region, the percentage by which existing rates ought generally to be increased in order to meet expenses and provide proper revenues.

8. The commodities clause, the anti-pooling clause and section ten of the Clayton act should be repealed, and the Sherman antitrust law made inapplicable to carriers subject to the interstate commerce law.

Savings Banks Approve Warfield Plan

The Executive Committee of the Savings Banks Association of the State of New York declared its opposition to Government ownership or control as a permanent policy, and its assent to the Warfield plan for the restoration of the railroads to private ownership under a system of zonal monopoly, in a resolution which was forwarded to the Representatives and Senators from New York State.

The resolution in part follows:

Whereas, The solution of the problems of the railroads is the most important question now before the country, and the proper and permanent settlement of these problems is of vital importance to the Savings Banks Association of the State of New York, with 3,500,000 depositors in this State and hundreds of millions of dollars invested in railroad securities—upon the stabilization of which the credit structure of the country mainly depends; and,

Whereas, The Congress should now be informed not only of the magnitude of the investment of the savings banks of the State of New York but also that of the mutual savings banks throughout the United States—which own approximately $850,000,000 railroad securities; be it

Resolved, (1) That the Savings Banks Association of the State of New York, through its Executive Committee, declares its opposition to either Government ownership or Government control and operation of the railroads for a period beyond that necessary for the enactment of legislation by the Congress ensuring to the great interests represented by this Association protection for the investment of millions of dollars of their depositors' money in the securities of the railroads of the country.

(2) We realize that such legislation must protect alike the shipping interests of the country, the public, the employees and the owners; and we declare that no plan for the return of the railroads can be successful which has not due regard for the various interests concerned.

(5) We, therefore, after mature deliberation, recommend to the Congress the passage of an Act embodying the plan now before the Congress proposed by the National Association of Owners of Railroad Securities—the Warfield Plan—which gives the necessary protection to the various interests concerned, and which among other fundamentals, all of which we approve, provides for a percentage return of not less than 6% on the aggregate investment in the railroads in each of the territories as now laid out by the Inter-State Commerce Commission and known as the three classification territories of the country.

From the N. Y. *American*

"HOW'S MY CREDIT?"

Owen Describes Unbalanced Exchange

In a public statement on the urgency of extending American credit to European purchasers of our goods, Senator Robert L. Owen described the difficulties in which both the American exporter and the European importer were because of the unbalanced exchange situation. He suggested as the remedy for these disorders the extensive buying by Americans of European securities. Speaking of our favorable balance of trade, he declared:

"Exporters in the United States are shipping abroad monthly over $300,000,000 in excess of the imports of goods into America from abroad. This absolutely necessitates the extension of credits to foreign purchasers, either directly or indirectly, and these credits should preferably be extended by the purchase in America of foreign securities, either Governmental or commercial and financial.

From the Atlanta *Constitution*

CONGRESS' LITTLE PROBLEM OF RECONSTRUCTION

"The lack of a system for marketing European securities in America causes a congestion of European bills offered for sale in America. The Italian purchaser in order to buy American dollars with Italian lire is compelled to give approximately 8 lire for a dollar, instead of 5.18 lire for a dollar. In other words the Italian purchaser is taxed around 60% for the privilege of buying in the United States because of our appreciated currency.

"The Italian authorities cannot permit this. The Italian merchant cannot stand it. The Italian consumers cannot afford it. In like degree the same thing is true with regard to the French consumers, merchants and authorities. The same thing is true in Great Britain. So that the British, French and Italian authorities are exercising their powers to prevent shipments from the United States until the exchange rates are adjusted.

"The steadily expanding flow of our exports should not be broken up, because the business is very profitable to America; because it will enable Europe more quickly to recover industrially and commercially, and will enable Europe more quickly to employ her labor and repay America with the products of her labor. Moreover, it would check the tendency in Europe to riot, disorder and Bolshevism by prompting the employment of labor in productive enterprises.

"It is of the highest importance that the American banks and business men should insist on a quick solution of a plan to sell European securities to the American investing public."

"Government Should Aid Export Financing"—Edge

In discussing a bill which he is drafting to facilitate the extension of credits to foreign buyers of American exports, Senator Edge of New Jersey said that while he was opposed to Government participation in private business as a general rule, he believed that the financing of foreign exports was such a huge enterprise that Governmental backing was necessary. Describing his plan, which he said had been drawn up in consultation with the leading international financiers of America, Senator Edge said:

"The proposed legislation would provide a channel for the release of a flood of American manufactures and coincidentally build up and maintain the American merchant marine." Senator Edge said that in preparing the bill he has been in close conference with the leading men in the financial and industrial world.

"Every one is agreed on the necessity for such foreign financing, and the general method of providing it may not be difficult to determine. In getting down to details we are confronted with the problem as to the advisability of Government participation and the two collateral problems. If Government participation is advisable, will the Government be willing to participate, and, if so, to what extent is such participation advisable? Of course, there must be Government co-operation.

"The sentiment is general, I believe, that the Government now should be removed from participation in private business and be kept out of private business; but this is a financial undertaking of such tremendous volume, involving perhaps $2,000,000,000, that it may be necessary to enlist the moral backing and material support of the Government to assure the necessary confidence of the commercial, financial and industrial interests and of the investing public and the people at large.

"The legislation aims to provide means whereby, on the shipment of consignments of American goods to Europe, the foreign purchasers would issue their obligations, which would perhaps be guaranteed by their Governments and against these the American group of financiers would issue debentures to be absorbed in the United States. Such debentures," Senator Edge explained, "would constitute a primary lien on the foreign obligations.

"But in a world-wide financial scheme of such novelty and magnitude," Senator Edge continued, "careful consideration is being given to the extent to which these securities may be made attractive to American investors, and this is another of the problems under study of those interested in the project."

"Labor No Longer A Commodity"—Atterbury

Brigadier-General W. W. Atterbury, vice-president of the Pennsylvania Railroad Company, declared that society could not longer afford to disregard the rights of labor, in an address given before the Pennsylvania Railroad Women's Division for War Relief at Philadelphia. He stated what were in his opinion the specific rights of labor included under the "right to happiness" mentioned in the Constitution, but insisted that "labor" should not be used narrowly to designate only those who work with their hands. On this point he said:

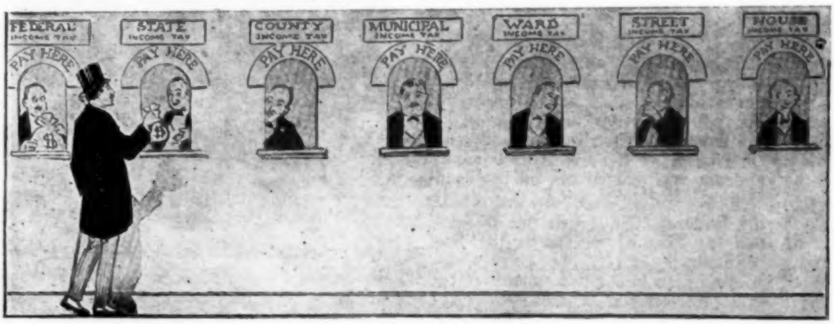
"Society can no longer regard labor as a commodity. I hate the word 'Labor' as ordinarily used, as it represents class distinction, for which there is no place in our American life. We all labor—some with our hands; some with our heads. Therefore, when I say labor I mean 'all who labor.' Heretofore it has been considered a commodity, subject to the law of supply and demand; but from now on we must so set our house in order that all may have steady employment—a difficult job, I grant you, but one not impossible of solution by the right kind of collaboration.

"In four wars America has fought for life, liberty and for the right to the pursuit of happiness. Trying to put myself in the other fellow's place, I have tried to define what that right means. It seemed to me that the following at least were essentials: (1) Steady employment; (2) At a good wage; (3) Time for recreation; (4) Opportunity to elevate myself in my employment; (5) A voice in determining the rules and regulations under which I should work; (6) A fair division of any profits after a reasonable wage had been earned and a sufficient amount paid to Capital to attract it to an expanding business. Given these, would it mean contentment to me and to my family? Would they enable me to give to my children greater advantages than I had myself enjoyed? Would these principles, if universally applied, give to our country and to the world at large what we believe to be our inherent right?"

"Highly Encouraging Outlook"—Chicago National City Bank

The July financial letter of the National City Bank of Chicago displays a very optimistic attitude toward financial conditions, basing a good deal of its confidence on the record wheat crop and the heavy demand for food abroad. The one fly in the ointment, according to the bank, is the labor situation, but even here it is a case of too much work for the available labor supply rather than unemployment, which is the difficulty. The general summary of the situation is:

"The outlook is highly encouraging from many points of view. There is necessarily an inflation hazard to deal with in considering the future trend of prices. The labor problem is troublesome, but there are many indications that Bolshevism is dying out and that with the signing of the peace treaty there will be a general revival of industrial activity in those quarters where enterprise was held back pending final action by the Paris Conference.



THAT INCOME TAX
But Where Will It Stop?

From *Life*

Financial Leaders of To-morrow

Ronald M. Byrnes

There are many men—not only in New York but also in other parts of the United States—who perhaps are not yet nationally known but who are quietly carving out a big career for themselves. Five or ten years from now friends will say of them—"I knew Brown when he was only so-and-so. Now see the prominent position he occupies." Men of this calibre are beginning to have their names mentioned in high circles more and more frequently and THE MAGAZINE OF WALL STREET is presenting this series of sketches of their careers which should be a source of inspiration to those other young men who are determined to have their share of the prosperous period into which our country has entered.

THIRTY-TWO years of age and already a vice-president for two years of one of the greatest financial institutions in the world is the success combination personified by Ronald M. Byrnes of the National City Company of New York.

Mr. Byrnes was born in Norwich, Conn., in 1886, and after graduating from public and preparatory schools worked his way through Yale College, receiving his B. A. degree in 1918 and that of M. A. in the following year.

As a result of some statistical studies and analytical work at college, he was offered a position in the statistical department of the old established banking firm of Brown Brothers & Company. The array of financial facts and figures seemed so overwhelming that he became thoroughly discouraged over ever learning enough about finance to be of any value. During this period of discouragement he was prompted to consider trying another line of work.

The National City Bank was on the eve of its great development period, nationally and internationally, and recognizing the excellent opportunities available in such a progressive organization, young Byrnes' efforts brought him to the attention of Charles V. Rich, who was then in charge of the bond department, and the applicant was started out on the road to sell securities.

Under the leadership and with the association of such inspiring executives as the National City Bank possesses, Mr. Byrnes developed rapidly in his new environment. After a brief selling experience in the New England territory he was re-called to New York, as a result of some suggestions he had made relative to a development of an organization which would serve the same purpose for the National City institution that "Research Laboratories" do in large industrial corporations, the researches being not only into the individual credit and financial standing of specific corporations, but also along general economic and financial lines. This was regarded as pioneer work but Mr. Byrnes soon took it out of that class and his organization demonstrated its value not only to the bank but the same underlying ideas finally resulted in the formation of the American International Corporation in 1915.

In 1916, Mr. Byrnes was selected to go to England on a special mission for an important financial group and shortly after his return he was drafted by the Liberty Loan Committee and appointed chairman of the committee on Quotas and Allotments in Federal Reserve District No. 2.

Although only thirty years of age at this time, Mr. Byrnes had so proved his sense of

RONALD M. BYRNES

keen analysis, coupled with sound judgment, that he was made vice-president in charge of the National City Company's buying organization as the remarkable increase in distributing power of the sales organization involved a necessarily commensurate development in the scope and skill of the buying organization. During the past two years he has paid especial attention to the Industrial and Foreign Buying Departments.

The guiding principle of Mr. Byrnes' success is indicated by his following remarks, relative to getting on in the world:

"The greatest force in the world is 'ideas' and my best recommendation to other young men is to keep what Professor Sumner used to call a 'hospitable mind.' In other words, be greedy and persistent in acquiring new information, and retentive of all previous information acquired. Such a course will enable any one to duplicate mentally the performance of the little acorn that imperceptibly grows into the oak."

Who Should Buy Tax-Free Bonds?

What Bonds Are Tax-Free?—Longer Term Liberties Especially Attractive—Why Municipals Will Continue to Hold a Prominent Place—Prospects for Municipal Obligations

By JACOB H. SCHMUCKLER

UNTIL rates of income taxation became heavy, most investors did not concern themselves very much with the taxable status of a bond provided it was satisfactory in other respects. Normally tax rates have been so low in this country that investors had very little advantage in tax-exempt over taxable bonds. Even to the millionaries a high grade corporation issue yielding 5% was ordinarily more attractive than a municipal returning 4.20%.

But today a man having an income of $1,000,000 from bonds yielding 6.50% on his money, after paying the income tax is really receiving only about 2.20% net on his investment. On the other hand he can buy absolutely tax-free bonds to return about 3½ to 3¾% among the Liberties and 4.20 to 4.50% among the high-grade municipals.

What Bonds Are Tax-Exempt?

The two largest classes of tax-exempt bonds are the Liberties and municipals. Aside from these, the only other bonds having important tax-exempt features are the Federal Land Bank Farm loan and the War Finance bonds.

Among the Liberties, the 3½s and 3¾s are entirely tax-exempt excepting for estate and inheritance taxes. All issues are free from the Federal normal income tax. the 4s, 4½ and Victory 4¾s have special limited tax-exempt features.

Regardless of whether secured through subscription or purchase, the income from $5,000 aggregate of the 4s and 4¼s is free from taxation for the life of the bonds; as is also the income from $30,000 of the fourth 4¼s for two years after the termination of the war with Germany; $30,000 aggregate of the 4s and 4¼s for five years after the termination of the war; and $30,000 first 4¼s second converted for two years after the termination of the war. Based upon original subscription, the income from $45,000 aggregate of the 4s and 4¼s is free for two years after peace; and likewise the income from $20,000 aggregate of 4s and 4¼s is exempt as long as Victory notes originally subscribed for are held. Finally the income is exempt from an amount of 4s and 4¼s not in excess of three times the par value of the Victory Loan notes originally subscribed for and still held at the time of the tax return to a maximum par value of $20,000.

The Federal Bank Loan bonds have the same status as the Liberty 3½s and 3¾s. They are exempt from all taxation excepting estate and inheritance taxes.

The income received from $5,000 principal value of the war finance bonds is

PRICES AND YIELDS OF GOVERNMENT BONDS

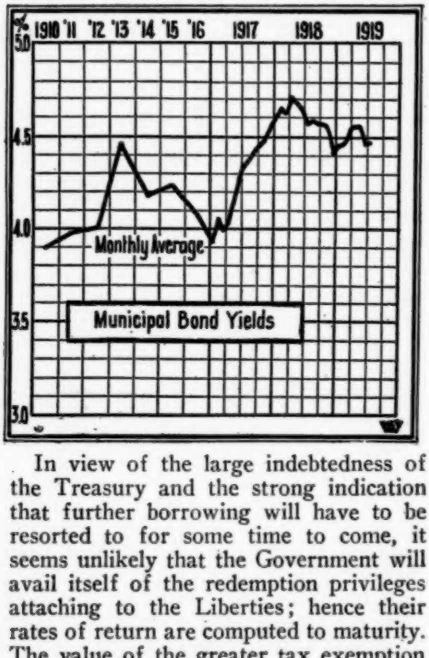
Issue	Maturity	Price About	Yield to Maturity
Victory 4¾s	1923	99.96	4.75%
Victory 3¾s	1923	100.04	3.75
First 3½s	1947	99.30	3.54
First 4¼s	1947	95.14	4.56
Second 4¼s	1942	94.20	4.66
Third 4¼s	1928	95.06	4.93
Fourth 4¼s	1938	94.20	4.72
War Finance Corporation 5s	1920	100.00	5.00
Federal Land Bank 4½s	1939	100.50	4.50*

***4.38% to redeemable date (1924).**

exempt from state, local and Federal taxation except estate and inheritance taxes. Above that amount they are exempt from all state and local taxes and also normal income taxes.

Municipal bonds are the largest group of tax free issues. Their income is exempt from all Federal taxation, though they are not entirely free from State or local taxes. However, this taxation is not of great importance.

The table herewith presents the prices and yields of some of the Liberties, the War Finance and Federal Land Bank bonds:



In view of the large indebtedness of the Treasury and the strong indication that further borrowing will have to be resorted to for some time to come, it seems unlikely that the Government will avail itself of the redemption privileges attaching to the Liberties; hence their rates of return are computed to maturity. The value of the greater tax exemption of the 3½ and 3¾% issues is plainly shown in their lower yield. These are the Liberties that appeal to the very wealthy. The yields of the others range from 4.56% for the first 4¼s to 4.93% for the third 4¼s. As these issues are exempt from normal income taxation and have a number of other tax-free privileges they should appeal to smaller investors.

The rate of return on the Federal Land bonds to maturity is nearly a point above that on the Liberty 3½s and about three quarters of a point greater than that on the Victory 3¾s, despite the fact that all three issues have the same status as to taxation. At 100½ the yield of these bonds is 4.38% to the redeemable date in 1924, so that the one-half point premium is written down and the rate of return from then to maturity is 4.50%. The Federal Land bonds are not strictly obligations of the United States Government, though they have been declared instrumentalities of the Government by Congress and the Government is a stockholder in the land bank. Another point to be considered is that their market is not nearly so active as that for the Liberties.

The War Finance Corporation Bonds were issued earlier in the year to furnish funds to extend as credits to American exporters. In view of their very short term and their relatively minor tax exemption privileges they are not so attractive as the other issues mentioned.

It seems to the writer that not enough attention has been paid to the importance of maturity in connection with the Liberties. Still it is significant that on the basis of current market prices the rates of yield vary inversely with the term that the bonds have to run. The highest yield is obtainable from the third 4¼s which mature in 1928, followed in order by the fourth 4¼s (1938), the second 4¼s (1942) and the first 4¼s (1947). The Victory 4¾s (1923) have not as yet struck a stable market level, and on account of their very early maturity their market action will undoubtedly be more similar to that of short term paper rather than bonds.

The market in this instance is surely rational in its discounting. It is a fundamental principle of the bond market that in a rising market bonds of longer maturity tend to show greater market appreciation than those of shorter term. The general bond market is now probably close to the bottom, and to this condition Liberties are no exception. The turn in the market which should come before very long will for some time be very gradual, but as to the long swing there can be little doubt. This means that holders of the longer term Liberties can expect greater market appreciation than holders of the shorter.

Again, while our credit has always been gilt-edge, as things become more normal and we begin to pay off part of our debt the position of the government bonds outstanding should be materially improved. It may take time for the credit of the United States to work up to a 4 or even 3½% basis, but it is a very strong probability within the next 10 or 15 years.

It would therefore pay investors to consider shifting from the shorter into some of the longer term Liberties. At present prices this can be done with little outlay of fresh capital. The temporary loss in income will unquestionably be made up many fold before the longer maturing bonds come due.

The Significant Position of Municipals

It does not seem very likely that the Federal Government will resort to issuing any further substantial amounts of tax-free bonds. Even during the war period the proportion of such was limited. Public opinion, which at no time has strongly favored the flotation of tax-free bonds seems to have turned strongly against them, for the feeling is very general that they beneefit only the very wealthy. Still public opinion cannot readily alter the body of the Constitution, especially when it will have so many more important problems before it than the taxation of municipal bonds.

The upshot of the whole matter is that the largest source of supply for tax-free bonds in the future will be, as it always has been, municipals. New municipal financing was cut down substantially during the war period but has assumed larger proportions more recently. The volume in prospect is very large, as municipalities have started to carry out improvements deferred because of the war and are engaging in many new ones. The probable course of the municipal bond market is therefore of prime importance to persons interested in tax-free securities.

The graph herewith presents the course of municipal bond yields since 1910. It was drawn from figures supplied by The Bond Buyer, a high authority on the subject. The index used by that publication includes twenty of the leading cities in the United States.

As the taxable status of municipals has remained unchanged, the movement in municipal bonds has undoubtedly been due to variations in the general level of interest rates and to changes in the tax situation of other classes of bonds. As stated above the writer is inclined to the view that the bond market is now close to the bottom and will move slowly upward for some time.

Taxation and Tax-Exempt Bonds

Indications are that the rates of income taxation will remain very high for a number of years. Congress has already taken steps to repeal some of the luxury taxes and there is talk about modifying or doing away with the excess profits tax. But nothing definite has to date been said about changing the income tax, and the writer is of the opinion that sentiment in this country would regard any liberal reduction with displeasure.

This means that municipals will continue to have a very important advantage as to taxation over bonds subject to the income tax, which is, of course, a strong point for their prices holding firm. Viewing the situation generally all indications point to better quotations for municipals over the next few years.

It is, however, necessary to call attention to the fact that excepting to the very large investor municipals or any other tax-free bonds do not offer much benefit for any length of time. As rates of taxation work lower this point should be given fuller consideration by investors as the number of bond purchasers that will be benefited by freedom from income taxation will, of course, diminish. As a general observation it is worthy of mention that in spite of a great amount of talk about the advantages of tax-free bonds, they will prove of doubtful benefit to small investors in the long run as compared with taxable issues.

ALLIED PACKERS BONDS SOLD

The $16,000,000 Allied Packers, Incorporated, twenty-year Convertible Sinking Fund six per cent debenture bonds, offered by Imbrie & Co., Bankers, New York City, are reported all sold.

Outlook for Russian Bonds

Special Interviews With New York Representatives of Bolshevik and Kolchak Factions—Both Promise to Pay Eventually

By MAX GOLDSTEIN

RUSSIAN external bonds represent about the limit of the speculative element in bonds. The uncertainty as to their payment at maturity that has been their prominent feature crystallized last month into the definite announcement that the $50,000,000 6½ three-year bonds, due June 18 of this year, would not be paid because of insufficient funds.

This issue is more than half of the total Russian indebtedness held in this country. The rest of it consists of $25,000,000 of five-year 5½s. maturing on December 1, 1921, and somewhere between $15,000,000 and $25,000,000 of the so-called "ruble" bonds, which are an internal Russian loan, payable in rubles at Petrograd, while the others are payable in dollars at New York. Naturally interest has not been paid on this last issue since the Russian revolution, but on the other issues interest has been paid promptly on the semi-annual due dates of June 1 and December 1. This money has come from funds in the possession of the Russian Embassy on deposit with the National City Bank. Apparently there was enough to pay the interest of the bonds, but not their principal.

These bond issues are by far the most important part of Russia's debts to individuals arising from the war, incurred by the Czar's government. England and France being her allies, financed Russia through their governments instead of privately, to the extent of two to three billions of dollars for the former and about $600,000,000 for the latter. When the United States entered the war, and became an ally of Russia, she financed her through the Government, in place of the bankers, for the period between the deposition of the Czar and the accession of the Bolsheviki. Hence, with the exception of these American issues, all put out in 1916, the Russian Government's war debts are all governmental, outside a small amount of private financing from the neutral nations of Europe.

Lenine and Kolchak Both Promise to Pay

The financial future in Russia, for the present and immediate future, at least, is directly dependent on the political and diplomatic situation. The things that make Russian bonds go up or down are not reports of prosperity or poverty, but rumors of the prospective recognition of one side or the other by the Allies, or military victories or defeats.

The interesting thing to the American investor is that both sides, the Bolsheviki and the Constitutional Democrats, have promised to pay these bonds eventually. The writer visited the headquarters of both camps in New York to obtain an impartial view of the situation, and was assured by both sides that as soon as things cleared up and a stable government was established (each party assuming, of course, that it would be his government which would be the stable one), the debts would be paid in full, interest and principal.

At the Bureau of Russian Information, which officially represents the Kolchak faction in this country, A. J. Sack, director of the bureau, stated as his personal opinion that not only would Kolchak pay as soon as he had driven out the Bolsheviki, but that he could not afford to do anything else. "The need of Russia for American credit and capital and merchandise is too great," he said, "for her to let a paltry $100,000,000 of unpaid debts stand in the way of her economic development."

"Only," said Mr. Sack, "quite natur-

ally, the payment will have to wait until Admiral Kolchak is recognized by the Allies, because not until then will his government be able to afford these payments. Russia cannot live without credit, and to re-establish our credit we must pay. Probably our credits for the future will be handled through a big financing corporation like the one recently suggested by H. P. Davison. We therefore want to keep on good terms with American capital.

"But of course," he concluded, "all these will have to wait until we have expelled the Bolsheviki. When we have done that, we shall either pay up our American debt at once, or else formally postpone it, by a refunding issue, or in some other way."

The Bolsheviki do not intend to repudiate their debt, and have a gold reserve sufficient to meet immediate foreign obligations, according to Soviet representatives at the Soviet Bureau, or "Mission," in New York. They say that the impression that the Bolsheviki intend to repudiate is based on a resolution of the All-Russian Congress of Soviets in March, 1918, stating that the opinion of the Congress favored repudiation. On a motion by Lenine, however, an amendment was passed giving the central Council of People's Commissars complete discretion as to the nature and amount of the debt that was to be paid off.

The Soviet Government, according to Santeri Nuorteva, head of publicity of the Soviet Bureau, has repeatedly tried to come to a mutually satisfactory agreement with the Allies concerning the repayment of the various Russian debts, but has met with continued rebuffs. He stated as his own opinion that if the embargo on Russia were lifted, the Bolshevik Government would be willing to take up the American holdings of Russian bonds, and even perhaps pay for them in gold out of the gold reserves of $350,000,000 which he alleged the Bolsheviki still hold.

He pointed out that as a matter of internal monetary policy the Soviet government was trying to get along without money at all, by the exchange of equivalent quantities of products made in Government-owned farms and factories, thus releasing all its gold holdings to back up its foreign trade and its foreign credits. According to him, the future policy of the Bolsheviki, "once they established a stable government," would be to conduct domestic commerce on a moneyless basis, pay up their pressing foreign debts with gold, and to use their remaining gold to make up the unfavorable balance of trade which he expected would last from the time Russia was reopened to foreign trade by the Allies to the time when it would be industrially self-sufficing, if not in a position for exporting.

What Russia Has to Back Up Her Debts

It is thus evident that both the Kolchak Democrats and the Bolsheviki want to keep on the good side of America, and for this reason are willing to pay off Russia's war debts incurred by the Czar. They have apparently split between them pretty evenly the estimated $800,000,000 of gold which Russia had when the Bolsheviki seized control in November of 1917. Of course, all the gold they have would not begin to pay even their war debts, let alone the $4,000,000,000 of bonds which Russia owed at the beginning of the war, three-fourths of it to France, for industrial plants and railroads that had been built under the Czar's regime.

However, they seem willing to devote some part of their gold holdings to the payments of the bonds that America holds, outside of the "ruble" bonds, which are nothing more than an internal Russian loan that happend to be taken up by foreigners, as our Liberty Loans were subscribed to in China. For America stands in a different position as regards these loans from the other Allies because we entered the war later than they did. Between 1914 and 1917 we occupied the position of neutrals and as such, had to make all our loans to Russia through private financing, instead of through the government, as we did when Russia became our ally, for a short period.

The Bolsheviki, it must be said, are less hampered than the Kolchak group in making immediate gold payments, as they have no intention of putting their currency on a gold basis like that of the Western nations, while their opponents have.

The Market Viewpoint

Considered purely as bonds, in the same way that obligations of the City of Keokuk, for example, are bonds, the Russian issues, while of a highly speculative nature, seem to have prospects of ultimate repayment, probably with back interest, to the investor who has enough patience to hold on to them. The fundamental things behind them are the huge potential resources of Russia, and the realization on the part of even the most extreme Russian factions that it will require foreign capital, resting on foreign credit, to develop them. It is not likely that any Russian Government that may ultimate stand the test of the "survival of the fittest" will forfeit the friendship of the United States, which is so valuable to it from an economic point of view, for the sake of the less than $100,000,000 which it would gain by repudiation.

LAY CORNERSTONE FOR NEW ASSAY OFFICE

THE laying of the cornerstone of the new Assay Office, adjoining the site of the Sub-Treasury, by the Secretary of the Treasury Carter Glass, marks an era in the financial history of New York and the country.

"New York is not only the financial centre of the Western Hemisphere, but has supplanted London as the chief money centre of the whole world," he said at the ceremony.

"When this building is completed, into it will be assembled more gold than has ever been assembled anywhere in the universe. Into it and out from it will pour a stream of gold such as the world has never known."

Former Secretary of the Treasury William G. McAdoo assisted in the laying of the cornerstone, as did Verne M. Bovie, Superintendent of the Assay Office.

Mr. McAdoo said the vaults in the new building will be the largest in the world. The new structure will consist of eight stories, five of which will be underground. It is estimated that the vaults will hold about $20,000,000,000 in gold. At present there is more than $100,000,000 in silver and more than $900,000,000 in gold in the Assay Office.

In an address Mr. Bovie pointed to the historic significance of the site of the new building. "This stone," he said, "is being laid at a spot which was well within the sound of the voice of the first President as he read his first message to the people. From that same spot Alexander Hamilton spoke of the financial policy of the young Republic, and later the Bank of the United States, the first institution of its kind in this country, was erected there."

THE MEN WHO TOOK PART IN THE CEREMONY OF LAYING THE CORNERSTONE OF THE NEW ASSAY OFFICE, NEW YORK CITY

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Left to Right—Carter Glass, Secretary of Treasury, Who Laid Cornerstone; Martin Vogel, Assistant Secretary; Verne M. Bovie, Superintendent U. S. Assay Office; William Gibbs McAdoo, Former Secretary of the Treasury.

Investment Inquiries.

HUDSON & MANHATTAN REF. 5s
A Bargain Railroad Bond

Hudson and Manhattan Refundng 5s are now on an 8.3% basis, and we consider them an exceptional bond bargain. Hudson and Manhattan has been popularly classed with the utility companies, but it more properly belongs with the railroads, as it is controlled by the Pennsylvania R. R. Moreover, the company should gain increased earnings from the rental of its office space in the terminal building, due to the great demand for office room at the present time.

We have been suggesting purchases of Hudson and Manhattan Refunding 5s for the past year, and we still think that they are a good buy.

STUDEBAKER 7s
Well Secured by Terms of Issue

When the Studebaker 7% serial notes were issued late last year there was a general hullabaloo for a while, for it was feared that the dividend on the common stock might be endangered; but since then the belief seems to have become fairly general that the erection of the South Bend plant, for which purpose these notes were authorized, would substantially increase the production of cars, and consequently the earnings.

The notes are not secured by mortgage, but while they are outstanding the company cannot place a mortgage upon any of its real or personal property unless security is provided for the notes; and the company must at all times maintain total quick assets of at least 200% of all liabilities, or else forego the payment of common dividends. In the balance sheet of the company there was a surplus above 200% of liabilities, amounting to some $6,000,000.

The success of the Studebaker Corporation, and its large earnings in recent years, are assurance o the security of these 7% notes.

MINN. & ST. LOUIS 1st CONS. 5s
A Semi-Speculative Bond of Promise

This bond, which is quoted at close to an 8% yield basis, is in our opinion a good investment security of the general business man's type, and to one who can afford to take a risk it offers good prospects. We should not, however, class it among safe bonds, the high yield clearly indicating that it contains some elements of speculative interest. Net operating revenues during 1918 fell about $2,405,000 short of the amount guaranteed by the Federal Government. This deficit is to be accounted for by larger maintenance charges during the year, the increase over 1917 covering almost exactly the amount by which actual earnings fell short of the standard return. These bonds are prior in claim to the 1st and Ref. 4s of 1949 and to the Ref. & Ext. 5s of 1962. Total interest charges were earned 1.44 times in 1916, 1.37 times in 1917, and about 1.3 times in 1918, figuring on the basis of maintenance charges in 1917; taking the actual maintenance appropriations in 1918, charges were not covered by a very wide margin. The road has been benefited however by the recent readjustment of its capitalization. The operating efficiency of the road has been improving, and we are inclined to believe that if the railroads are given a square deal these bonds will in time see an improved investment position and better market prices.

AMERICAN SUMATRA PFD.
A Very Attractive Investment

America Sumatra Tobacco Common, along with the other tobacco stocks has been pretty fully exploited and we do not recommend its purchase at present high levels. The preferred stock of the same company, however, we regard as quite a bargain. The company's earnings averaged 30% on this stock between 1914-1916, and have been running as high as 100% in 1917-1918. Obviously there is not much risk in such a stock. There is only a small issue outstanding, ($2,000,000), which may account for the fact that it has not advanced very much. At present prices it yields over 7%.

ROCK ISLAND PREFERRED STOCKS
Fair, But Speculative

Rock Island Preferred stocks are not "safe investments," but represent suitable semi-investments for the funds of the average business man. It mnst be remembered that these stocks are not secured dividend payers like Southern Pacific, Union Pacific, Northern Pacific, etc., and in fact their dividends commenced in July, 1917. Recently the preferred dividends were deferred about a month by order of the Director-General of Railroads. While we believe that ultimately these issues will be upon a regular basis, they must be regarded as somewhat speculative at present.

WESTINGHOUSE AIR BRAKE
Has Hopeful Prospects

Westinghouse Air Brake is showing up very well, and if you are able to purchase and hold the stock regardless of temporary fluctuations we believe that it will prove satisfactory for a fairly long pull. The stock is rather closely held and very little of it seems to come upon the market. The company is prosperous and this prosperity is likely to continue.

CUBA CANE SUGAR
Not a Long-Pull Holding

Cuba Cane Sugar has been in financial difficulties because of its lack of working capital. Some time ago, an issue of notes was proposed but this was postponed because of strenuous objection on the part of stockholders. The company's prospective earnings for 1919 are very good, because of the fact that their entire output will be taken at a price fixed under war conditions by the U. S. Food Administration. However, the outlook for later years is not so encouraging because the resumption of beet sugar growing in Europe will reduce the

demand for Cuban sugar. We do not regard the stock as especially attractive at present high prices although it is conservatively managed and is on a sound basis.

Cuba Cane Sugar has had a good recovery from its recent low levels, and we are inclined to believe that the price around 40, which is double the low figure reached this year, discounts the immediate improvement in the company's affairs.

CONSOLIDATED COPPER MINES
Good For the Long Pull

There have been a good many rumors that Nevada intends taking over Consolidated Copper Mines. Evidently there is some close working arrangement between the two companies, as the Nevada Company is working the Alpha shaft of the Consolidated Copper Mines Co. It looks to us as if Con. Copper Mines is a big proposition in the making, as it has some good-sized ore bodies, the largest of which are of about the same average value as Nevada Consolidated, namely about 2% copper. The company also has some high grade reserves averaging about 12%.

The shares show a strong upward tendency at this writing and we believe an accumulation will prove profitable eventually. Copper Mines, however, is a very long pull proposition, as the company reported a large deficit for 1918.

WILLYS-OVERLAND
A Business Man's Investment

Willys Overland is one of the leading concerns in the field, under good management and manufacturing a low priced car which is very popular. The dividend is at present $1 per share, formerly $4.00 per share. The par value is $25 (formerly $100). The company earned over $11,000,000 last year compared with $10,000,000 in 1917, and its surplus is over $36,000,000. You will find some further facts in the March 1st and April 12th issues of the magazine. We consider Willys Overland a business man's investment for a long pull, but would only recommend a purchase on a reaction.

ATCHISON
Dividends Not High, But Safe

Atchison is one of the old line rail stocks paying a dividend of 6%, which has been the rate since 1910. This of course, is not a high rate today, but earnings are at least double the dividend, so this stock is in a class with some preferred issues. The Railroad situation in general is not as yet clear; but the rail stocks did not participate in the recent bull market, and when Congress begins to take up the rail question they should be in line for an advance if other conditions are favorable.

WILSON & CO. PREFERRED
European Meat Demand a Big Factor

Wilson & Company are successors to Sulzberger & Sons Co. Last year the preferred stock earned 73% and earnings have increased steadily since 1912 when they were only 13%. We think that this is an excellent investment, especially in view of the demand for food products in Europe at the present time which should increase the prosperity of the company. Dividends have been paid on the preferred stock since organization in 1910.

If you are considering purchases, however, we would advise you not to buy just at this time, as the present market condition is rather uncertain.

The bonds, of course, are still better than the stock as investments, the convertible feature adding to their attractiveness.

WRIGHT-MARTIN
Worth Holding On To

Wright Martin will probably not suffer through the supposed merger with International Motors, although we are not able to make any prediction as to the future. In the great decline the shares have had, those better acquainted with the situation seem to have been willing to hold the stock. We have not been able to notice any evidence of liquidation at present prices, and we are inclined to believe that the market price is fairly well adjusted to probabilities. The new combination will be a strong one and we suggest that you hold your stock.

UNITED CIGAR STORES
May React After Exploitation

United Cigar Stores has recently been exploited marketwise, in connection with the organization of the large new corporation known as United Retail Stores, which is sponsored by the Whelan and Duke interests. The latter company, it was announced recently, is taking over the United Cigar Stores, one share of the latter receiving two shares of the new company.

In view of the general condition of the present market, we think it would be wise for you to take your profits on this stock, as it has made a very remarkable advance and is probably due for a healthy reaction after the exploitation of the new stock is over.

CHINO COPPER
Shares Bright Copper Outlook

Chino Copper is paying dividends at the rate of $3 a year or 60% on the par value. We believe that the copper stocks may advance further on their intrinsic merits when the present period of uncertainty has passed. It is possible that the demand from Germany will be very large and from many points of view the future of the copper stocks seems very bright. We suggest that it might be well to hold some copper stocks of companies which also have silver interests, such as American Smelting & Refining, U. S. Smelting & Refining, and Cerro de Pasco.

RUSSIAN 5½s AND 6½s
Extremely Speculative

Russian 5½s and 6½s are entirely a speculation both as to interest and principal. The Bolshevik and Kolchak Governments have both made statements as to their willingness,

under various conditions, to back up the obligations of the Imperial Russian Government, but the 6½s which were due on June 1, this year, were defaulted. Interest on these bonds has been paid in the past out of funds which represented credits of the former Russian Government in this country in connection with purchases of ammunition and supplies, it is understood.

These bonds are traded in on the New York Curb and recent quotations were: 5½s, 51, and 6½s, 58½.

AMERICAN INTERNATIONAL
Good Prospects, But Too High

American International Corporation has had such a large advance from 52½ to 115 that we do not favor it as a purchase at the present time. This stock is a speculation at present levels, rather than an investment, and while the interests connected with it are very strong and the company will undoubtedly have great prosperity in our country's expanding trade relations we do not think the stock is a bargain at the present time.

AMERICAN TEL. & TEL.
Will Probably Maintain Dividends

We think that the company will continue to pay its dividends, out of surplus if necessary, as the 8% has been maintained for many years and it is a fixed policy of the management, as stated in the last annual report, to maintain the stock on as stable a basis as possible in order to keep its credit at a high level.

This stock has not been exploited as have most stocks in the recent bull market, and the danger of a further decline is therefore less. It is now about half-way between the high and low points for the year.

SHATTUCK ARIZONA
Has Good Long-Pull Prospects

Shattuck Arizona is producing an average of about 12,000,000 pounds of copper annually as compared with the record output of 18,000,000 in 1916. It also mines gold, silver, and a large quantity of lead. It is, however, one of the high cost producers, as the average cost was around 8½c. a pound before 1917, when it advanced to around 13c. a pound. For the past 9½ years the average earnings per share have been about $2.40. The company has been a liberal dividend payer, as between August, 1909, and the end of last year, the company paid over $7,000,000 in dividends, which is equal to $20¾ per shore of $10 par value. The shares are valued at $14.50 compared with $10 par value. The dividend rate is only $1 a share at the present time, but this is due to the uncertainties of the copper situation. It is a good long pull speculation though purchases should not be made in the present market.

HOWE SOUND CO.
Among Best of Copper-Silvers

Howe Sound is regarded as one of the best of the copper-silvers. It has an annual production of 18,000,000 pounds of copper, and its silver holdings in Mexico are said to have an annual output of about $5,000,000, as well as a large production of lead. The output of both its Canadian and Mexican properties is sold to the American Smelting Co. With its Mexican plant running at full capacity and with a further noticeable increase in the price of silver the company's prospects should be bright, especially in view of the present trend of copper prices to higher levels.

WALTHAM WATCH
An Attractive Investment

Waltham Watch Company has had the best year in its history recently. The surplus of this company has improved from about $600,000 at the end of 1916 to $1,600,000 at the end of 1918. The company manufactures every type of watch and clock and has been handling a rush of business during the last three years. The company is a leader in its own line and the shares around 40 appear to us to be a very attractive investment for a business man.

KELLY-SPRINGFIELD
Prosperity Great, But Discounted

Kelly-Springfield paid 3% extra in common stock May 1st, 1919. On May 1st, 1916, the dividend on the common was increased to 16% and his since been continued.

Kelly-Springfield has had a phenomenal advance and although the prosperity of the rubber and tire industry is very great, we feel that a great part of this prosperity has already been discounted in the stock market. We are inclined to suggest caution before entering into new commitments at this time.

CHALMERS MOTORS
Position in Doubt

Chalmers Motors has been exploited by the public on the rumor of a merger with the Maxwell Motor Company. The stock has reacted from its high of 15 and is no longer acting under the influence of the rumor of this merger. The whole automobile industry shows a record of prosperity and will probably continue to do so for several years to come. We believe, however, that a great part of this prosperity has been discounted in the stock market.

DENVER & RIO GRANDE
A Long-Shot Speculation

Denver & Rio Grande common and preferred is merely a speculation. Some interest attaches to the position of this company in the hope that it may find a satisfactory solution of its difficulty in connection with its litigation with Western Pacific. The position is extremely uncertain, however, and we see no attraction in the securities at this time.

NEVADA CONSOLIDATED
Has Good Ore Values

Nevada Consolidated's production of refined copper in 1917 decreased by nearly 9,000,000 pounds, due chiefly in reduction in the grade of ore mined in the open pits from 1.33% to 1.26%. Judged from the assay of the remaining ore reserves, the decline in the grade of ore mined should prove a temporary factor as the open pit ore averages 1.415% copper and the richer material in the Ruth underground workings bring the grade up to a total of 1.58%. The falling off in recoveries was partly due to the production conditions at the mill and to the treatment of foreign ore from Consolidated Copper Mines. Good values are present and we believe you may safely hold Nevada Consolidated.

AMERICAN CAN
May Declare Dividends

American Can for the past several years has been showing excellent earnings and the company's financial and physical condition has been greatly improved as the result. The can business has shown a wonderful increase in this country and in view of the big demand for food all over the world, there should be an increasing demand for can containers for a long time to come. It would appear that the American Can Co. would be justified in placing the common stock on a dividend basis at any time.

The best opinion is that there will be a dividend on this issue before the end of the year. The recent advance that the stock has had, however, probably discounted a favorable development of this kind.

AMERICAN HIDE & LEATHER
Prosperity Due to War

American Hide & Leather is a speculative stock, which has never paid any dividends. Earnings for the last 4 years have been as follows: 1915—4.44%, 1916—6.37%, 1917—7.41% and 1918—12.83%. Nothing was earned in the years 1910-1914, which indicates that the company's prosperity was due largely to the war.

We would not regard the present as a favorable time to make a purchase, as the stock has advanced from a low of 13 to a high of 39, present quotations being around 34.

TENNESSEE COPPER
Improving Prospects

Tennessee Copper has not yet made public its results of operations for the 1918 year but estimates are that earnings will be somewhat better than in 1917 when $2.28 a share was earned. Copper production has been somewhat less than last year but earnings from sulphuric acid have been showing an increase. Around present levels the stock possesses some speculative possibilities.

There are a number of reports stating that the company is to consolidate with the International Agricultural Corporation to go extensively into the fertilizer business. If such a consolidation is effected, Tennessee Copper shares should be benefited materially in higher market prices.

TOBACCO PRODUCTS
Now Selling on Speculative Basis

Tobacco Products has advanced very rapidly in the last few months with the general advance in all the tobacco stocks, which have anticipated the growth in earning power under normal conditions; and we are inclined to view this rise as too rapid, and expect to see a reaction sooner or later. Tobacco Products is not an investment at these levels, and is now selling upon a speculative basis.

MERRITT OIL
Sound, But May React

Merritt Oil has recently shown increased earnings, and through new financing has liquidated $6,000,000 of debt. This was made possible by the sale at $25 per share of 240,000 shares of the 400,000 shares created by action of the stockholders at a meeting on March 4th. Merritt operates only in the Big Muddy Field of Wyoming, where it has extensive holdings in the very heart of the producing area. Recent drilling has proven up a great portion of this territory which was recently regarded as a prospect only.

Merritt Oil is now selling at about 27½ or about half way between its high and low records for 1919. It is quite possible that it will show a further reaction and in view of the present condition of the market we suggest caution in making any heavy purchases.

HASKELL & BARKER
Has Promising Outlook

Haskell & Barker was incorporated in 1916 succeeding the company of the same name incorporated in 1871. The original business was established in 1852. It manufactures steel and spring equipments of all type at Michigan City, Ind. The stock receives a dividend of $1 quarterly or $4 annually. The company has been earning its dividend by very large margins. For example, this dividend amounted to $825,000 in the last fiscal year, whereas the net earnings were nearly $4,000,000. Haskell & Barker is a speculative investment of some promise.

UNITED EASTERN
A Gold Mine of Promise

United Eastern is an attractive gold stock in our judgment, as its ore bodies are very

regular and it is a young mine of great promise. Its dividend of 5% monthly regular and 2% extra is earned by a good margin, and it appears to be a fair semi-investment, with good possibilities marketwise. We prefer United Eastern to Cresson Gold, as this is a more permanent gold speculation than Cresson in our judgment.

As a general rule we regard the silver stocks as being better bargains at the present time than the gold stocks, owing to the advancing price of bullion silver.

OHIO CITIES GAS

Needs Working Capital

Ohio Cities Gas has very large assets and is under a progressive management. The company was fully analyzed in the May 24th issue of the Magazine of Wall Street. It seems to be suffering from lack of working capital. While it is claimed that this condition will be rectified without causing disturbance to the present dividend of this company it may cause some difficulty. As you probably know, the company holds 500,000 acres of oil and gas lands in various stages of development. The stock has had a remarkable advance and any purchase at the present prices would be decidedly speculative.

NATIONAL CONDUIT & CABLE'S

Showing Unpromising

National Conduit & Cable appears to have been generously capitalized in April, 1917, upon a basis of war prosperity. The company entered the dividend stage, and the passing of this dividend later proved how out of proportion hopes were against actualities. The company is still far removed from a large and consistent earning power on the basis of its present capitalization, and while there appears to be a little activity in the stock due to pool operations, we know of no favorable factors to justify permanent holding or purchasing for investment.

According to recent reports, the company appears to be in bad shape so far as earnings are concerned. Net sales have shown a heavy falling off. The company operated at a deficit in 1918, and even in 1917, after paying dividends of $500,000, the final surplus was only $192,000. The heavy capitalization accounts for the poor showing the company has been making.

The stock has been active lately and is now selling close to its high level for 1919 (22¾).

BUTTE & SUPERIOR COPPER

Not an Attractive Purchase

Butte & Superior Copper is referred to in the article on silvers in the last issue of THE MAGAZINE OF WALL STREET which we recommend that you read. Butte & Superior is surrounded with difficulties. Its litigation with the Minerals Seperation Company will be a long drawn out affair and with the prospect that lead and spelter are not going to advance in price in the next few years, we believe this company has seen its best days. The shares might rally in a speculative market but the chances are not bright for an advance substantially above present levels. We do not suggest this for an investment or speculation at the present time.

DENV. & RIO GRANDE CONS. 4½s, 1936

A Good Bond Which Should Sell Higher

This issue is part of a closed mortgage which is a first lien on more than one-half of the company's property. The bonds are outstanding at the rate of $24,590 a mile. They are prior in lien to $51,025,000 of bonds. Total interest charges have been earned on the average of 1.44 times in the ten years ended December 31, 1917. In 1918 interest charges were not covered by $200,000, due to larger maintenance appropriations and to the payment of interest on the adjustment 7s, which do not have to be paid unless earned. The large point in connection with these bonds and all others of the Rio Grande is how the Western Pacific guarantee tangle will finally work out. Very likely this will in time be adjusted amicably and without prejudice to the guaranteeing road, but the consolidated 4½s would not be very seriously affected under any probable settlement. This complication has unquestionably worked to hold the price of this issue down. When the matter is settled we are inclined to see somewhat better prices for the consolidated 4½s, provided the bond market is generally favorable to railroad issues.

CHICAGO, R. I. & PACIFIC REF. 4s

A Well Secured and Promising Bond

Rock Island 4s selling to yield close to 7% on the money are an attractive issue for income return, and under more normal conditions should see higher market prices. There are $94,941,000 of these outstanding, and they are secured by a direct or collateral lien on 5,834 miles of road, 1,252 miles of leaseholds and additionally on trackage rights, terminal properties and securities. Total interest charges have been on the average of about 1.4 times during the past ten years. In 1918 there was a slight deficit after charges, but the Federal guarantee amply protects all interest requirements. The deficit was due almost entirely to setting aside much larger maintenance appropriations than in the past few years. Rock Island's traffic is quite varied, but a pretty large proportion is contributed by agricultural products. In view of the abnormal wheat crop in the road's territory, Rock Island should be benefited. The operating efficiency of the property seems to be improving.

Current Bond Offerings

Briefly Discussed and Analyzed

A BRIEF discussion and analysis of the new important bond offerings will be a regular feature of The Magazine of Wall Street hereafter. The number of new offerings was cut down quite substantially during the war period and until the close of the Victory Loan Campaign. With this event over, varied offerings have begun to appear in large amounts and flotations will continue to be extensive for some time. These should include a number of very attractive purchases for all classes of investors and the purpose of this department will be to present the salient facts concerning them. The status of each bond as to taxation will be discussed as fully as possible, and issues available in less than $1,000 pieces will be so designated.

LIST OF CURRENT OFFERINGS

Issue	*Maturity*	*Offering Price*	*Yield to Maturity*
Government and Municipal:			
Dominion of Canada External 5½s	Aug., 1921	99¼	5.90%
Dominion of Canada External 5½s	Aug., 1929	97	5.90*e*
Province of Manitoba 5s	May, 1921	98.80	5.65
State of Idaho 4¼% Notes	July, 1920	100.40	4.35*a*
Spartanburg County Highway 4½s	May, 1923-'26	98.53@99.10	4.75*a*, *d*
City of Milwaukee Direct Obligation 4½s	Jan. 1920-'39	100.02@100.60	4.45*a*, *d*
City of Milwaukee Direct Obligation 5s	Jan. 1920-'39	100.27@107.13	4.45*a*, *d*
City of Brownsville, Tex., Imp. 5s	Nov., 1946-'55	100	5.00*a*
City of Memphis, Tenn., 5s	Jan., 1925-'49	101.44@104.76	4.70*a*
City of Greenville, S. C. School 5s	July, 1929	103.88	4.70*a*
Railroad:			
St. Louis-San Francisco Prior Lien 6s	July, 1928	96	6.55*d*, *e*
Baltimore & Ohio Ten-year 6s	July, 1929	95½	6.50*b*
Public Utility:			
Duquesne Light First 6s	July, 1949	100	6.00*b*, *d*
American Gas Co., 7% Notes	June, 1920	100	7.00*b*
Monongahela Valley Traction 6% Notes	June, 1920	99	7.15
Tri-State Telephone & Telegraph 6% Notes	July, 1922	99¼	
Industrial:			6.25*d*
Gulf Oil 6% Serial Notes	July, 1921-'23	99.75@100	6.00@6.07*b*
Allied Packers Conv. 6s	July, 1939	98½	6.10*b*
Oil Well Supply First S. F. 6s	June, 1920-'39	100	6.00*b*
Nordyke & Marmon 6% Serial Notes	July, 1920-'29	94½@99¼	6.25@6.75*b*
Night Light & Silver Fountain First 6s	Aug., 1921-'31	100	6.00*b*, *d*
American Straw Board First 7s	July, 1921-'28	98¾@99½	7.25*g*

(*a*) Exempt from Federal Income tax, including surtax. (*b*) Company pays normal income tax to the amount of 2%. (*c*) exempt from Federal State and Municipal taxation as to interest and principal, excepting estate and inheritance taxes. (*d*) Available in $1,000 and $500 denominations. (*e*) Available in $500 and $100 denominations. (*f*) Exempt from State and local and from Fedreal normal income tax. (*g*) without deductions from Federal income tax up to 4% so far as is legally permitted.

DOMINION OF CANADA 5s. Issued to the amount of $75,000,000 in two series maturing in two and five years, respectively, on a 5.90% basis. Both principal and interest will be payable in gold in the U. S. without deduction for present or future Canadian taxes, excepting for persons residing permanently or ordinarily in Canada. Bonds legal for investments by savings banks in Connecticut, Vermont, New Hampshire and a number of other states. Considering excellent security yield is very attractive, would prefer the longer maturity.

AMERICAN MUNICIPALS. All high grade, and yields of last three and Spartansburg issue very attractive in view of exemption of bonds from income taxation. State of Idaho notes available only in $25,000 denominations.

BALTIMORE & OHIO Ten Year Secured 6s. $35,000,000 of these issued. Secured by $45,000,000 collateral of which $30,000,000 consists of Reading Company stock. Stated that this issue will not materially increase fixed charges of the road as the proceeds are to be used almost entirely to retire outstanding indebtedness. Common stock dividend has been discontinued and the road is to set aside part of its net income to be used in improving the property. Application will be made to list bonds on New York Stock Exchange.

DUQUESNE LIGHT First 6s. Company in large part directly operates properties conducting the entire central station electric light and power business in Pittsburg and throughout the major parts of Allegheny and Beaver Counties, Pa., and is a subsidiary of the Philadelphia Co. Secured by a first mortgage on all the property owned in fee by the company and by a first lien on its leasehold interests and various securities. In year ended April 3, 1919 total fixed charges were earned more than two and a half times. Bonds will be free from the present Pennsylvania four mill tax.

GULF OIL CORPORATION 6% Serial Notes. Corporation organized in 1907 and through its subsidiaries conducts an active business in producing, refining, transporting and distributing petroleum and its products. Present issue will constitute practically only indebtedness of company and its subsidiaries which have assets very conservatively valued amounting to $120,000,000. Net earnings in no year during the past six has been less than $8,000,000 and during the past three years less than $12,000,000. Interest charges have large margin of safety.

ALLIED PACKERS, INC. 20-Year Convertible Debenture 6s. Company incorporated to acquire the assets and business of several important packing concerns. Object primarily to vigorously exploit foreign trade. Present balance sheet shows net quick assets of approximately $13,000,000 of which $9,000,000 is cash. Total net assets exclusive of brands and trademarks will exceed the principal value of this issue by about $10,000,000. Annual sinking fund beginning December 31, 1921 equal to 2% of amount of bonds issued. Interest charges earned with very wide margin. Convertible into stock at $77 until maturity. Conversion privilege should prove of considerable value in time. Tax refund in Pennsylvania and Massachusetts at present rates.

Whelan & Duke Pick Constantinople as Strategic Trade Center

American Foreign Trade Corporation Will Also Have Branches in Principal Asiatic Cities—Company Capitalized at $20,000,000—Controlled by Tobacco Products Corporation.

By ARTHUR C. WATT

IF the shades of Columbus and Mohammed look down upon the world and note the trade activities which have begun between America and the Near East, they undoubtedly are amazed.

Constantinople—at one time the richest city in the world and a strategic trading center for more than 2,000 years—has been selected as the base for the assembling and distribution of merchandise by the newly formed American Foreign Trade Corporation. This concern is sponsored by George J. Whalen and James B. Duke, who conceived the value and utility of an American corporation patterned after the form of the famous Hudson's Bay and East India companies, which have so effectively extended British trade and influence throughout vast foreign territories.

As the cultivation of strategic trade centers dominating a big area is usually the key to the success of an export campaign, Constantinople naturally was selected. Branch offices also will be established at smaller but important points, including Beirut, Bagdad, Athens, Cairo, Sofia, etc., from where additional outposts will be gradually flung out to tap the economic demand of millions of people in Asiatic Europe and European Asia.

It is the plan of the company to trade by the most modern, as well as the most primitive methods of barter and exchange depending largely upon the prevailing conditions of money, or rather rate of foreign exchange.

An analysis of the situation revealed that it had been the custom of American buyers to purchase money at banks in the Near Eastern countries for the purpose of paying their trade obligations in cities like Constantinople. It is estimated that this trade in money amounted to more than $30,000,000 a year, and the effort of the American Foreign Trade Corporation (when the exchange situation demands) will be used to convert this stream of money into a flow of merchandise insofar as the company's operations are concerned.

Starts With $20,000,000 Capitalization

The corporation was recently formed under Virginia laws with an authorized capitalization of $20,000,000, divided into $5,000,000 of 7% preferred stock, cumulative after November 1, 1919, $1,000,000 of managers' shares, and $14,000,000 of common stock, all of which has been underwritten by the Tobacco Products Corporation and other American manufacturers who are identified with the new company in a commercial way for the marketing of their products in foreign countries. The concern will act in the capacity of export jobbers for this American-made merchandise and will handle such foreign produced commodities as tobacco, Oriental rugs, fruits, Egyption cotton and cotton seed, etc., and it is believed will, to many practical purposes, represent the buying end of the recently formed United Retail Stores Corporation, which is backed by the same financial interests.

The American Foreign Trade Corporation has arranged for shipping facilities with the Bull Steamship Company and it would not be surprising if the former eventually acquires a string of ocean-going vessels for its own account. Transportation naturally is a vital factor in the expansion of foreign trade, and it is likely that the company will not leave this important operating end of the business to depend upon outside agencies.

Another factor to be reckoned with is the prospective attitude in the Near Eastern countries toward American goods and

American business men. Just what the Allied nations are finally going to do about Turkey, Armenia, Smyrna, Czecho-Slovakia, Bulgaria, etc., is not fully known at this time, but from present indications the majority of the population in those nations, at least, will be friendly to the United States and its citizens. The point of contact, however, will not be entirely dependent upon this factor, as representation has been arranged for with native traders, in many instances, and even desert caravans will be utilized as part of the extensive trading plan.

The personnel of the corporation comprises the following:

Henry M. Day, President, who heads the Henry M. Day Company, exporters and importers; George A. Harder, Vice-president, who is also President of the Iron Products Corporation. Other officers are William H. Butler, George L. Storm, John Jeffries and William A. Ferguson, all officially identified with the Tobacco Products Corporation.

The directorate includes R. M. Ellis, President of the Tobacco Products Export Corporation; Ernest Bull of the Bull Steamship Company, and F. X. Castelli, of the Oriental Carpet Company.

George L. Storm, who has been credited with much of the success of Tobacco Products, is chairman of the Board of Directors of the new company.

Tobacco Products Has Control

As the Tobacco Products Corporation is the controlling interest in the American Foreign Trade Corporation, it is of interest to touch upon its history.

The company was formed in October, 1912, and has acquired all of the stock as controlling interest in numerous manufacturers of standard brand cigarettes. smoking tobacco and little cigars. Original capitalization was $50,000,000, consisting of $20,000,000 of 7% preferred and $30,000,000 of common which later was adjusted to consist of $10,000,000 preferred and $16,000,000 common. The preferred was subscribed for at around $102 a share and holders received a bonus of 1 3/5 shares of common upon payment at the rate of one dollar a share, for every share of preferred. This resulted in $10,000,000 of the preferred being outstanding and 160,000 shares of the common, but in 1913, $2,000,000 of the former issue were redeemed. In December, 1918, the amount of common stock authorized was increased to 200,000 shares, and in January, 1919, 16,000 shares were distributed as a stock dividend to the holders of the common, making 176,000 shares outstanding.

In February, 1919, the corporation announced that it had acquired the business of Philip Morris & Company, a well-known cigarette manufacturer, and upon reorganization 260,000 shares were offered pro rata to all stockholders of Tobacco Products at $4. This stock now is selling at around $14 on the New York Curb.

About one week later, Tobacco Products announced that it had decided to conduct its foreign business as a separate corporation and accordingly had organized the Tobacco Products Export Corporation (under provisions of the Webb-Pomerene Act to promote foreign trade) with a capitalization of 450,000 shares of no par value, all of which was issued to the original company in consideration of the transfer of its assets and brands valued at $4,500,000; 256,000 shares of the 450,000 shares have been offered pro rata to the Tobacco Products stockholders at $10 a share, this stock selling at present at around $34 o nthe New York Curb.

Just what these various "rights," if exercised, have been worth to original stockholders of Tobacco Products who did not sell their holdings, is indicated by the following on the basis of subscribing to 100 shares of the preferred:

ORIGINAL COST

100	Tobacco Products preferred, at $102.00 a share	$10,200
160	Tobacco Products common, at $1.00 a share	160
276	Philip Morris & Company, at $4.00 a share	1,104
276	Tobacco Products Export Corp., at $10.00 a share	2,760
	Total	$14,224

PRESENT MARKET VALUE

100	Tobacco Products preferred, at $100.00 a share	$10,000
160	Tobacco Products common, at $105.00 a share	16,800
16	Tobacco Products common (received at stock dividend), at $105.00 a share	1,680

276 Philip Morris & Company, at $14.75 a share	4,070
276 Tobacco Products Export Corp., at $34.00 a share	9,384
Total	$41,934

INCOME

Dividends on 100 Tobacco Products preferred	$4,337.50
Dividends on 160 Tobacco Products common	*1,680.00
Dividends on 16 Tobacco Products common	48.00
Total	$6,065.50

*Initial dividend of $1.50, paid in November, 1917.

Original investment and exercise of various "rights" amounted to $14,224, and present market value of the stocks plus dividends received to this writing amount to approximately $48,000, or a return of around 333 1/3% to date, since October, 1912.

Meanwhile, the Tobacco Products Corporation will hold in its treasury the controlling stock interest in the American Foreign Trade Corporation, and as the latter's business should expand in conjunction with the activities of the other allied Whelan-Duke concerns, Tobacco Products shares possess unusual speculative value, aside from the prospects of "rights" to subscribe to additional common stock, and the possibility of a future distribution or offering of American Foreign Trade Corporation stock, when its value is more definitely established.

Plans Developing Rapidly

Constant progress is being made in the rounding out of the Whelan-Duke plans for world-trade. The steamship "Beatrice," under charter by the American Foreign Trade Corporation, already has sailed for Constantinople with a miscellaneous cargo, including even office equipment for fittting up headquarters in that city. American auto trucks to transport the cargo when unloaded were shipped on the same vessel.

Official announcement has been made that two shares of the new United Retail Stores Corporation (with a capitalization of 100,000 shares of 8% preferred and 1,160,000 shares of common) will be given in exchange for every share of United Cigar Stores stock outstanding. Additional announcements also are expected to follow soon in connection with the future policy of United Retail Stores as well as that of United Profit Sharing Corporation, (now entering the retail tobacco field in Canada), and Philip Morris & Company.

The new enterprise naturally calls for business courage of the highest order, but pioneering is not new to Whelan and Duke and this venture, coupled with their proposed chain of retail stores around the world, is of such magnitude that its successful completion will prove a crowning achievement to the genius of these famous business men.

The extension of American trade throughout the world is more than a commercial enterprise. It has a deeper significance—that of establishing and holding friendly relations between the United States and the millions of people in foreign lands who look confidently to this country as the "land of the square deal." To them, doing business with Americans is secondary to the stronger background of confidence that they are dealing with the United States, and this country is going to be judged as a nation according to the manner in which its representatives conduct their trading operations. This naturally calls for business statesmanship of a high order, but Whelan and Duke already have proved that they possess and know how to successfully use this valuable qualification. For that reason the new United Retail Stores as the distributing medium, the American Foreign Trade Corporation as a jobbing and transportation agency, and the numerous other Whelan-Duke manufacturing concerns, with their allied trade connections, make up a merchandising group, possessing at this time what appears to be excellent prospects for developing tremendous earning power.

Other Concerns in Field

Although the American Foreign Trade Corporation and its allied companies are very likely to become important factors in the struggle for foreign trade, yet other American export firms are worthwhile contenders in the general merchandise field. Among the newer companies is the Nemours Trading Corporation, whose plan of operation consists of buying finished materials, especially men,

women and children's clothing, and disposing of them through the company's many sales representatives in South America, West Indies, the Scandinavian countries, Mesopotamia and the Near East. It is understood that the company will for the present, at least, engage directly in manufacturing, but will confine its activities to the jobbing of goods for export.

Many other well-known and strongly organized firms like Gaston, Williams & Wigmore, E. I. DuPont De Nemours & Company, etc., also are in the field and perfectly able to secure and hold their share of the foreign business available.

On the other hand, British business men have formed an organization styled "Federation of British Industries." This consists of nearly 2,000 manufacturing and producing firms, the object of the organization being that of establishing a chain of commercial outposts throughout the world, and rendering a foreign trade information service for the benefit of those members who do an exporting and importing business.

Trade Commissioners representing the newly formed organization have been selected for Spain, Portugal, Greece, Northern Africa, the East Indies, South America and various other foreign countries.

A concerted effort will be made to capture the markets formerly under domination of Germany and to gain a strong foothold in those other countries now threatened by American competition.

As the United States is fortunately more richly endowed with raw and finished materials and its present industrial and financial organizations are in a superior position, American foreign trade concerns are evidently in a strategic position at this time and worrying very little about the effects of European competition.

CAN WE PUT THE MINOR CYCLE TO WORK?

By G. C. Selden

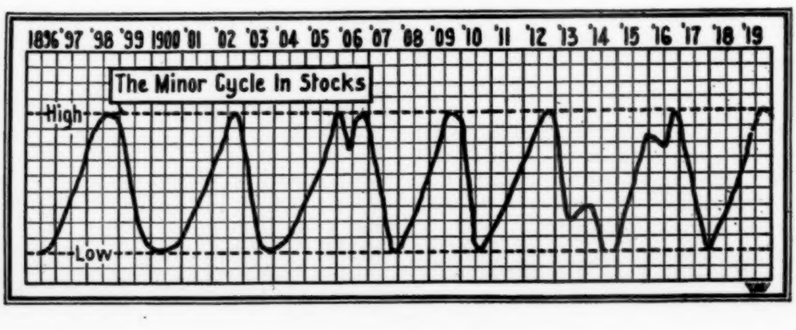
SOME of those who have read "A Century of Prices" and other articles in which I have described the swing of the Minor Cycle in stock prices, have asked why future swings of the market cannot be estimated from the principles there explained.

Within limits, this can be done. The extent of price movements cannot be estimated in that way, for one bull market may carry prices up very sharply, while another, although lasting just as long, may, at the end, bring only a moderate appreciation in values; and the same is true of the effect of a bear market in depressing prices. But there is a good deal of regularity in the length of time occupied by bull and bear markets.

The graph herewith shows the swings of the Minor Cycle in stocks since 1896. The smaller movements are ignored, but in a few cases marked irregularities are roughly shown, so as to give a fair general idea of the course of the market from low to high and back again throughout the entire period.

The dotted line for the last half of 1919 shows about the course that the market might be expected to follow, *provided* that the Minor Cycle now in progress works out substantially the same as previous cycles.

It must be fully understood that *this is not a prediction.* The graph shows how bull markets have worked out in the past. Whether the present market will culminate in a similar way is something that each investor must decide for himself.



U. S. Rubber's Rapid Rise

Influence of American International's Purchases—Three Years of Big Earnings—Strong in Working Capital—Price Remarkable for a Non-Dividend Payer

By JOHN MORROW

WALL STREET loves a "mystery" stock and every big bull move in the securities market usually includes sensational advances in some issues to account for which no definite or concrete reasons can be given by the rank and file of traders. Hence the mystery stock.

For years Reading has been one of Wall Street's pet mystery issues, but in the great market advance which started last February Reading has been in a position of secondary importance, and perhaps the stock which has attracted the most attention because of the so-called mystery attending its movements, is United States Rubber common.

This stock has for several years been the center of more or less speculative interest, but it is not stretching the facts to say that for the most part it has been unpopular. Quite the reverse is true now, and every brokerage house has been filled with rumors and gossip in an attempt to explain the appreciation in the market price of the shares. Control of the company has "passed," earnings are beyond belief, strong interests (that old reliable standby) have been accumulating the stock, sensational developments are in store, and so on almost without end.

In the last half of January this year U. S. Rubber common shares were resting quietly around 73. On June 30 they reached 138⅝, the high mark at this writing. Thus in something less than six months there was appreciation of about $23,400,000 in the market valuation of the outstanding 360,000 shares, which have a par value of $100, making the amount of stock in the hands of the public $36,000,000. Whereas in January the total market valuation of the common was $26,280,000, on June 30 it was close to $50,000,000.

And so far, not one single official announcement has served to satisfy the curiosity of the Street. Not a revealed development. No dividends have been paid, no new financing of any importance has been done, and it is semi-officially declared that if earnings for 1919 equal those of 1918 the management will be quite well satisfied.

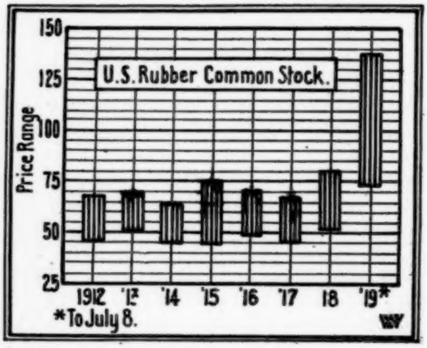
A Factor of Importance

One great development affecting the affairs of the United States Rubber Co. was connected with the sale of the 30-year first and refunding 5% bonds in the early part of 1917. Kuhn, Loeb & Co. underwrote that issue, and it was generally believed that that great banking house had actively interested itself in the affairs of the company, and had placed itself in a position to keep at least a partial supervision over the business of the corporation. Later it was announced that C. B. Seger had been elected president of the company. Now Mr. Seger for years had been connected as auditor for the Harriman lines, and it is, of course, widely known that Kuhn, Loeb & Co. also for years had been influential in the affairs of those roads. So there was much putting together of two and two.

At the time of his death Anthony N. Brady was credited with owning 25% of U. S. Rubber stock, and there have been reports, lacking official confirmation, that this interest has shifted ownership. Be that as it may, it is a fair guess that if ownership has been transferred it has not gone in a direction inimical to the interests of the Brady estate.

There is still another factor in U.S. Rubber stock ownership, and that is the American International Corporation. That company known for its remarkable success in investing in se-

curities of various corporations, bought a substantial block of Rubber common, and the price paid is said to have been below 60. But nothing official is known as to whether American International has seen fit to dispose of its holdings. A total of 360,000 outstanding shares is not a large amount of common stock for a corporation like U. S. Rubber to have, and it is doubtless true that the floating supply is at present considerably depleted, which in part accounts for the rapid movements of the shares, and the ease with which they are marked up on a comparatively small amount of transactions.



Of course earnings of the company for the past three years have been of the best, and furnish some reason for a higher market valuation despite the fact that the directors have not yet seen fit to resume dividends upon the junior stock. In the three years ended December 31, 1918, the company had earned a total of over $76 a share upon the common stock after all deductions, including depreciation. And not one cent was paid out in dividends. The best year was 1918, when $30.86 a share was earned on the common, and the company did a gross business of over $215,000,000 compared with a previous high of $176,000,000 made in 1917. Then too, 1918 showed the largest net profit on its overturn. Operating profit was about 22 cents on each dollar of business done compared with 17 cents in 1917 and 12½ cents in 1916.

It is expected that gross earnings this year will exceed the 1918 total, but the information available tends to indicate that earnings available for the common shares will not be any larger than last year. Even so net earnings of that size would not occasion any complaint on the part of shareholders, and would mean that in four years a balance equal to $100 or better a share had been returned upon the common stock. Naturally the tire business is extremely large, and is limited only by plant capacity. The mechanical rubber business continues to be satisfactory, but the rubber footwear business is slow, because of the mildness of the past winter which necessitated carrying over comparatively large stocks.

Working Capital

An inspection of the last available balance sheet of the company also leaves little to be desired. Working capital, represented by the excess of current assets over current liabilities, totaled $93,727,000 as of December 31, 1918, compared with $83,927,000 at the end of 1917. Previous to that, working capital had never been beyond $50,000,000 but also it must be considered gross sales had never exceeded $100,000,000 until the 1916 year. During 1918 there was an expansion of inventory account. At least, as of December 31 last inventories were $70,704,000 against $72,440,000 for the previous year. The great inventory expansion came during 1917, for at the end of 1916 the total in this account was only $48,530,000.

United States Rubber is the only one of the big American rubber manufacturers which controls any part of the source of raw materials, or crude rubber. The company owns 93,000 acres of rubber plantations in Sumatra, of which less than half have been cleared and planted. It is the present intention of the company to make further clearings of land and to plant more trees. It will be seen that the percentage of the crude product to be derived by the company from its own sources will be on an ascending ratio.

Another fact about raw materials is

that crude rubber supplies are plentiful. Since 1906 the world's output of crude rubber has increased probably close to 400%. Furthermore war restrictions held up a large supply of crude in the Far East, which is now available for shipment into this country. Another feature worth consideration is the fact that while the prices of most commodities have been shooting skyward, the price of crude rubber has been moving in the other direction apparently, and is cheaper now in the world's markets than it was before the war. The effect of this condition upon the margin of profit is obvious.

Question of Dividends

Shareholders and others have been patiently awaiting the resumption of dividends upon Rubber common, but so far without result. It has been claimed that if the directors do resume payment the rate will not exceed 6%. In connection with dividends the following stipulation in the indenture covering the issuance of the 5% bonds in 1917 is of interest. It was provided in that indenture that no cash dividends were to be paid unless unencumbered quick assets of the company and its subsidiaries shall exceed their aggregate debts. Furthermore U. S. Rubber contemplates the expenditure of probably $10,000,000 on plant extensions at Detroit and elsewhere this year, and expects to provide for this from current earnings.

So much for the current position of the company. After a stock has had a rise of almost 90% in market price it is far from a safe course to forecast the future trend. It would certainly seem as if the stock were in hands strong enough to dominate its market position. In the meantime there are undoubtedly large holders who have big paper profits, but their being turned into cash would cause wider smiles on the faces of the Federal Tax collectors than on the countenances of the sellers.

Even if the 6% dividend were resumed, the present earning power would suggest possibilities of extras, or even of stock dividends. On recessions, it might be a purchase for the hardy speculator, but it is hardly to be conservatively recommended to the buyer who is not in a position to keep in close touch with the market.

GROUP OF NATIVE RUBBER WORKERS

The scene is on a large plantation of the U. S. Rubber Co. in Sumatra. Note the young rubber trees in the background

Pere Marquette Rejuvenated

Earning Double Its Standard Return in 1919—Drastic Reorganization Makes Future Bright—Will Benefit by Prosperity of Motor Industry

By OWEN ELY

REORGANIZATION of the Pere Marquette was probably more drastic than that of any other road recently passing through receivership. The fixed charges were reduced from $4,127,000 to $1,687,000, or about 59%; including the elimination of interest on floating debt, the total saving amounts to over 63%. The decrease in the funded debt, added to the increase in net working capital and the property investment (due to funds received from assessments), aggregated nearly $67,000,000, or about one and four-fifths times the amount of the present funded debt. This was a greater financial improvement than was reflected in the reorganization of the Rock Island, Missouri Pacific, Frisco or Wabash.

"Water" Squeezed Out

Pere Marquette has had a checkered career, having passed through two receiverships as a result of the overambitious plan of the Newman Erb interests to form a trunk line system composed of the Pere Marquette, Cincinnati, Hamilton & Dayton and Chicago, Cincinnati & Louisville. There can be little doubt, however, that the second reorganization has squeezed out all of the water injected into the company's capitalization during its period of expansion. The physical valuation of the plant made in 1914 by M. E. Cooley, Dean of the Engineering Department of Michigan University, indicated a cost of reproduction, less depreciation, of $78,500,000. With the additions and betterments made since that date, amounting roughly to $15,000,000, and with the great increase in cost of materials, the present reproduction value would probably be in the neighborhood of $135,000,000 to $150,000,000. Of course few railroads could make good on the basis of a return on their present reproduction cost, but the results are at least an indication that there is solid value back of the $40,825,000 funded and floating debt and the $23,629,000 preferred stocks.

The changes effected by the reorganization and by nearly two years' operation of the new company, are reflected in the balance sheet, which compares the figures for March 31, 1917 (when the receivership terminated) with those reported as of December 31, 1918. The property investment has been increased from $96,882,016 to $111,597,899, (representing largely expenditures for equipment). A deficit of $32,266,504, has been converted into a surplus of $2,923,840.

Excluding a loan of $4,500,000 made in 1918, which is probably renewable, the company now has net working capital of about $3,200,000 (including accounts with the Railroad Administration, which owes the company a net balance of nearly $3,000,000). The old company had current assets of $6,561,195 and current liabilities of $26,986,599, but the latter included unpaid interest and matured debt amounting to $22,275,000. Excluding this, the old company had a net working balance of $1,851,000. The present company's rather small working capital indicates that within a year or two it may be forced to resort to further short-time loans; however, with a return of activity in the bond market the company should be able to finance its needs by further issues of its authorized 1st mortgage bonds, of which some $38,675,000 remain unissued, and which may bear interest as high as 6%.

Good Earnings Since Reorganization

Thus far Pere Marquette has made good on its new basis of capitalization. In 1918 it earned its guaranteed compensation with a surplus of a little over $100,000. The company does not have any large income from outside sources; the balance after adding non-operating in-

come of $104,000, and deducting miscellaneous charges of $270,000, was about $3,582,000, or a little over twice the amount of the new interest charges. While this is not a wonderful showing, it indicates that the new bonds are well protected.

The prior preference stock of the new company has paid its 5% cumulative dividend since the reorganization; the next regular dividend will be paid August 1st, "subject to the approval of the Director-General of Railroads." So far as earnings go, the preferred stock is surely entitled to its dividends.

CONDENSED BALANCE SHEET
Showing Changes Due to Reorganization
(In Thousands)

	Old Co. Mar. 31, 1917	New Co. Dec. 31, 1918
Assets:		
Road and Equipment	$ 91,914	$103,850
Investments in Affil. Cos.	4,571	6,710
Miscel. Investments	396	1,037
Current Assets & U. S. Government Accts.	6,561	15,379
Deferred Assets	261	172
Corporate Deficit	32,266	...
	$135,970	$127,150
Liabilities:		
Common Stock	$ 15,803	$ 45,046
Prior Pref. (Old Co., 1st Preferred)	10,929	11,200
Pref. Stock (Old Co., 2nd Preferred)	993	12,429
Mortgage Bonds	66,642	30,455
Collateral Bonds (Old Co.)	5,870	5,870
Equip. Notes and Receivers' Certs	4,424	...
Loans & Bills Payable	656	4,500
Other Cur. Liab. & U. S. Gov. Accts	26,330	12,182
Deferred Liabilities	4,320	2,543
Corporate Surplus	...	2,923
	$135,970	$127,150

The standard return provides (on the basis of the 1918 income account) 17% on the prior preference stock, 10.8% on the preferred stock and 1.5% on the common stock. During 1917 (including three months' earnings of the old company, adjusted to new capitalization) the net income was slightly more than in 1918, amounting to 17.5% on the prior preference stock.

For the first five months of 1919, the company reported a net operating income of $1,565,417, an increase of 90% over the same period of 1918. If the balance of the year should average the same as the five months, the company would earn about double the guaranteed compensation—a showing perhaps no other road in the country can make. The large increase over 1918 is due largely to the difference in weather conditions during January and February of each year. For the first two months of 1918, the company reported a deficit of $359,000, while this year there was a net operating income of $586,000—an increase of $945,000. During March, April and May, however, the earnings this year were lower by $106,000, $121,000 and $33,000, than in the respective months of 1918. If the net earnings for the remainder of 1919 run at the same rate as in 1918 (which would seem to be a conservative basis, in view of increasing industrial activity and bumper crops) the company will earn about 3.5% on its common stock, on the basis of actual operations.

The fact that the company is earning more than its guarantee tends to prove that it will encounter few difficulties when returned to private operation.

Pere Marquette has not yet signed its contract, and is still negotiating for additional compensation amounting to $650,000 per annum. This extra compensation would be received under the clause in Section 1 of the Federal Control Act, which provides that an adjustment may be made in the figures for average net income for the three year period ending June 30, 1917, because of large expenditures for maintenance, or other abnormal conditions reflected in the accounts during receivership. If the company had received in 1918 the full amount of additional compensation for which it has made application, net income would have been equivalent to nearly 23% on the prior preference stock, 16% on the preferred and about 3% on the common.

Must Build Up Surplus

Pere Marquette in 1918 reported a balance sheet surplus of $2,923,000.

This is of course a very small margin of safety for a road with total assets of $127,000,000. It is probable that the company will try to build up its surplus before attempting to pay dividends on the preferred or common stock. However, the preferred stock is cumulative from January 1, 1919, so that the company will have no object in long deferring dividends. Common stockholders may have to wait for some years for any return on their investment.

The annual reports of the Pere Marquette are notable for their complete and detailed statistics. On page 36 of the 1918 report is presented a table showing the results of operation since 1899, the date of original incorporation. The aggregate earnings for the whole period represent a deficit of $6,321,000. The total interest accruals (including interest on floating debt) were $52,656,000. It has already been noted that in the 1917 reorganization interest was reduced by 63%. If, therefore, we should assume it a fair procedure to scale down all interest accruals prior to March, 1917, by this percentage, the result would be a saving of about $31,500,000. This would give a net surplus for the period 1900-18 of $25,180,000, or an average yearly net income of $1,326,000—equivalent to 11.8% on the prior preference stock and 6.2% on the preferred. Of course the capitalization during the early years was not inflated to the same extent as in 1917, but this fact would probably be offset by taking into account the large losses in income (during at least half the period) due to abnormal operating conditions. The company on its present basis of operation, even if it shows no improvement over its past record, should continue to have average earnings at least as high as the $1,326,000 average worked out above.

Pere Marquette is of course a local Michigan freight road, and its fortunes are largely dependent on conditions within that state and in lower Ontario. It has undoubtedly benefited by the upbuilding of the motor industry and the general prosperity in the Detroit territory. The rapid expansion and increased business which the motor companies anticipate this year should be a valuable factor in the further development of the company's business. The management is able and efficient, the company has made large expenditures for additions and betterments—practically rebuilding all its equipment—and prospects for the future make it one of the most promising of the reorganized rails.

Prior Preference Stock a Good Investment

At the present price of about 67, the prior preference stock yields nearly 7.5%, and on that basis has good investment value, though of course not in a class with the old line rails, such as Pennsylvania and Atchison. The low price this year was 56 and in 1918, 52½. The preferred stock, which is inactive, has had a range of 39-49 this year. The common stock at 24 may have some speculative possibilities, though it has advanced from 9½ in 1918 and 12½ in 1919.

The recent strength of the stocks has been due in part to the fact that J. P. Morgan & Co. have disposed of their large interests in the company, which they had acquired in connection with the sale of the C. H. & D. to the Baltimore & Ohio. The prior preference stock was disposed of through a syndicate, and it is understood that most of the stock is now in the hands of the public. The removal of the Morgan interests is not considered a bearish argument, as they probably did not wish to tie up their funds in a long-time investment. The writing off of the loss on the original investment—estimated to be over $18,000,000—during the period of high income tax rates may also have been a factor.

But the mere fact that the stocks have been thus distributed may cause prices to sag, and intending purchasers should watch the market before making commitments. However, any change in the rail stocks as a group ought to be for the better, when Congress gives serious attention to the problem of returning the roads to private hands.

Progress of Fisher Body

Average Earning Power—Increase in Its Bank Loans—Good Business Ahead

By E. L. NORMAN

FOR several years the Fisher Body companies have been favorably known in the automobile industry as manufacturers of automobile bodies, but it was not until 1916 that the concerns were consolidated under one head and the securities placed upon the open market and offered to the public. When the present Fisher Body Corporation was formed, the flotation of the shares was sponsored by strong Eastern financial interests. The preferred and common stocks were listed upon the New York Stock Exchange in the early part of 1917, and at the outset did not attract any great following, although the shares commanded a ready market.

TABLE I—EARNINGS RECORD

Year Apr. 30	Oper. Inc.	Surplus	Per Share on Com.
1917....	$2,876,407	$1,902,245	$9.51
1918....	4,352,078	2,528,176	14.64
1919....	3,534,853	1,298,750	6.49

It is interesting to note that about the time the shares were listed upon the New York Stock Exchange, this country entered the war, and soon after the plants of all of the companies engaged in, or affiliated with the automobile industry, were diverted from their regular line of activity and placed at the disposal of the Government. Fisher Body went into the manufacture of airplanes, and received contracts for the construction of heavy bombing planes, including the De Haviland type.

These Government orders kept the company busy until the armistice was signed, and of course, a review of the company's operations during 1918 is not a fair criterion of its earning power along the regular lines of production. It was not until April, 1919, that the main plant at Detroit was entirely reconverted for the manufacture of automobile bodies, and the Government work completed.

Table 1 will show the earnings record for the three fiscal years ended April 30, 1919. It will be noticed that the total earnings in that period were $30.64 a share upon the 200,000 shares of common outstanding, which have no par value. This balance was reached after deducting all expenses of the business, dividends upon the preferred stock, and allowance for Federal taxes. It is perhaps true that the earnings for the year ended April 30, 1918, when $14.64 was returned upon the common stock, are a better basis from which to judge the earning power than the returns for the year ended April 30, 1919. In the latter period the plants were busy almost entirely upon Government orders, as has been said, and this special work undoubtedly necessitated a shift in operating methods. So far there have been no dividends declared upon the common stock, although the $4,714,000 7% cumulative preferred issue has made payments regularly since the inception of the corporation.

Working capital, shown in the three annual reports published, has reflected not much variation, as will be seen from the table. As of April 30, 1919, working capital was in excess of $4,000,000, and the increase over the previous year was due largely to a larger amount of cash on hand and Liberty bonds. Inventories were about the same, but bank loans had increased from $2,683,000 to $4,000,000. In other words, the company appeared, at the end of the last fiscal year, to be in fairly good financial condition, and, assuming an equitable settlement of Government contracts, in proper shape to resume normal business.

TABLE II—WORKING CAPITAL
(In Thousands)

April 30	Current Assets	Current Liabilities	Working Cap.
1917....	$6,933	$3,009	$3,923
1918....	12,292	8,624	3,667
1919....	12,889	8,635	4,254

Since the first of 1919 Fisher Body common stock has had almost a perpendicular advance. Ordinarily there is not much public interest in the stock, but its rise attracted considerable attention. In January the common shares found a low of 38¼. From this level the stock climbed to 97½ in June. In other words, the market value of the 200,000 shares in January was only $7,600,000, whereas in June it was over $19,000,000.

It would seem as if the company's normal earning power would be large enough to warrant same payment upon the common stock, but it would also appear as if the present market price of about 85 had rather thoroughly discounted at least a $5 dividend.

TABLE III—FISHER—BODY

	Preferred		Common	
	High	Low	High	Low
1917.....	95	73	40⅞	25
1918.....	93	70¼	43	26
*1919.....	101¾	91	97½	38¼

*To July 8th.

Of course, if control of the company has been sought in the open market, the price level of the stock cannot be gauged by ordinary methods. Control price, and the price of a stock, based upon earning power, are usually two very different things. Table No. III will show the price range of the preferred and common stocks since their appearance upon the New York Stock Exchange in the spring of 1917.

Plants and Capacity

Fisher Body has 7 plants, the largest of which is located in Detroit, although there is a good sized plant at Milwaukee and a fair sized one at Walkerville, Ontario. The several plants owned or controlled by the company have a capacity of 400,000 automobile bodies per annum. The growth of capacity may be illustrated by the fact that in 1915 the annual capacity was a little less than 200,000 bodies, indicating an increase in capacity of 100% since that time.

In normal times such as the country is entering upon, the company must, of course, depend for its prosperity upon the general state of the automobile industry, which is in an extremely flourishing condition at present.

One feature of the company which attracts attention is the fact that there are only five directors. Of these five, four are officials. In truth before the reorganization in 1916 the company might be said to have been purely a Fisher family affair.

The 7% preferred stock would seem to be adequately protected by earnings and entitled to a good rating. A sinking fund is annually set aside to be applied to the purchase or redemption of the preferred stock in a sum equal to at least 15% of the net earnings for the preceding fiscal year, but the amount shall not be less than $250,000. The stock purchased is canceled. There was originally $5,000,000 preferred, of which $286,000 has been retired through the operation of the sinking fund.

Outlook for Common Stock

Whether or not dividends upon the common stock are to be paid, largely depends upon the trend of earnings, but no dividends can be paid until the accumulated surplus earnings amount to at least $1,000,000. Of the 200,000 shares of common stock, 102,000 shares are held in a voting trust, which terminates in August, 1921; the remaining 98,000 shares are free.

If it be assumed that the Fisher interests who controlled the company when it was organized still retain the larger part of their holdings, then the floating supply of the stock must be comparatively small, and fluctuations in the common must be viewed with this in mind. In the absence of definite developments, present price of the shares would seem to be high enough. On the other hand, the company is apparently prepared to make the most of the present prosperity in the automobile business, and as a complete readjustment from a war to a peace basis is made and results of operations become known, the present prices may not be unduly high; but at least they would seem to have discounted some of this expected good business, and, in any event, the stock should be purchased only as a speculation,—and a speculation that is unseasoned.

Jones Brothers Tea "Self-Made"

Stock Newly Listed, But Company of Long Standing—Grew Up From $1,000 Partnership

By THOMAS P. ROBINSON

THIS is the story of a corporation that started in 1872 as a partnership with a capital of $1,000 and is now capitalized at $14,000,000. This progress was accomplished entirely by the "plowing in" of profits, the results of each year's successful operations being used to finance the bigger business of the next year. As a result, the company now has not a cent of funded indebtedness, and hence its financial structure is of the strongest.

Started in 1872, the partnership proved more and more prosperous each year, and continued its policy of self-sufficiency: all working capital to come from the business, none from the outside. Soon it began to extend this principle to the merchandising as well as the financing end, and it gradually acquired the facilities which now enable it to control its grocery business from inporting the tea plants to making the chinaware which it gives away for coupons.

Importing—Manufacturing—Distributing

Let us trace the course of a package of Jones Brothers tea. A purchasing agent of the company, stationed in Ceylon, let us say, has decided that the quality is up to standard, and has ordered it shipped.

It lands in the big company plant in Brooklyn, which takes up a whole city block, and is called the biggest factory for the treatment of tea in the world. There it goes through the testing laboratories, the cutting, blending and packing departments, and finally comes out a package of tea, such as we know it.

We must watch it closely at this stage, because we may get it confused with one of the coffee-roasting plants, or the spice-grinding or baking-powder departments, or the two soap-boiling factories which turn out seventeen brands of soap, or the flavoring-extract plant. However, we shall suppose that we have been able to keep track of our original shipment of tea, and have gone through the printing-plant where the labels and wrappers are made, and the box-shop where tin cans, wooden and pasteboard boxes, and paper bags are produced.

The chances are that our package of tea will travel next to one of the 196 chain stores of the Grand Union Tea Co., which gets all its supplies from Jones Brothers and all of whose stock was bought outright by them in 1916. The order for this particular package may have come in over the counter or been secured by one of the 3,500 salesmen who work for the Grand Union Co. This company has stores in 190 cities and towns, in almost every state of the Union.

Possibly, however, our package may have gone through one of the 60 Globe Grocery Stores, in New York and Pennsylvania. This concern carries a full line of Jones Brothers products, and in addition others which it obtains through them. It was founded to broaden the market for the output of Jones Brothers, but it does its selling exclusively over the counter and gives no premiums.

If we are still interested in the destination of Jones Brothers tea we may go to the Anchor Pottery Co.'s plant at Trenton, New Jersey, all of whose production goes into premiums to be given away with Jones Brothers tea.

Strong Financial Position

Jones Brothers unusual stability was severely tested during the various great panics that struck the country during the forty-seven years since it was organized. Its average profits for the period 1901-1913 were $774,361, but in the depressed years of 1903, 1907, and 1914 the company registered profits of over $800,000 each.

The net income of Jones Brothers has shown a decrease since 1915, presumably because of the difficulty of importing many of the company's staples. The figures are: for 1915, $985,796; for 1916, $862,309, and for 1917, $636,146. The net income for 1918, while not available, was probably greater than that for 1917, as total sales for the year were $13,561,403, compared with sales of $12,002,800 for 1917.

The most recent income account available, for the four months ending April 30, 1919, shows sales of $6,458,757, and net profits of $242,765, an improvement over the 1918 figures.

Securities of the Company

In 1910 the company was incorporated, and in 1916 the financial structure of the company as at present constituted was established. There are no bonds, a $4,000,000 authorized issue of preferred 7% cumulative stock, all outstanding, and a $10,000,000 issue of common, all outstanding. The par value of both issues is $100.

A typical balance sheet of the company, that for Dec. 31, 1917, shows the heavy item of $10,571,516 for "good-will and trade-marks" out of total assets of $15,719,748, which just about balances the $10,000,000 par value of the common. The latter, therefore, has nothing tangible back of it except the record and prospects of the corporation, which, however, have an important value.

The common was listed on the New York Stock Exchange on June 26 of this year, and has had a sharp advance, the market at this writing being about $38 a share.

President Harry L. Jones believes that within the next few years the number of stores distributing his products will be double the figures given above. At any rate the company has all the characteristics of solid growth and regardless of temporary speculative fluctuations it seems likely that the stock may eventually attain a higher plane of value.

Industrial Earnings, Dividends and Income Yields

In view of the wide discrepancy between present industrial earnings and last year's—chiefly because of the unsettled conditions resulting from the war—our usual "Bargain Indicator" has been modified as below. The *dividend rate* given covers regular declared dividends on the yearly basis. Extra or stock dividends are noted from time to time in the comment column on the right, which also summarizes important price-affecting factors. The *yield on price* is based on regular dividends and the last reported sale or bid price before going to press. A minus sign before earnings' columns indicates a deficit for the year in dollars per share.

	Companies Which Have Reported for 1918 — Dollars Earned Per Share.					Present	Recent	Yield	INTENDING PURCHASERS should make careful Comparisons, including former years. They should also read the Financial News and Comment for additional information. If a yearly subscriber, our Inquiry Department may be consulted.
	1914.	1915.	1916.	1917.	1918.	Div. Rate	Price	on Price	
Allis-Chalmers com.	....	0.49	8.59	11.37	11.62	$0	49	0.00	Peace prospects bright.
Am. Agricultural Chemical com.	7.68	10.97	20.57	21.11	35.01	8	110	7.30	Large business expected.
Am. Beet Sugar com.	1.01	7.50	14.30	30.55	10.58	8	95	8.40	Large crop expected.
Am. Can com.	3.61	5.19	12.31	21.84	7.55	0	61	0.00	Equities growing.
Am. Cotton Oil com.	1.99	7.05	6.99	4.55	5.14	4	63	6.40	Showing increase in earnings.
Am. Hide & Leather pfd.	0.83	7.38	12.64	13.56	18.35	7	132	5.33	Will probably arrange dividend question.
Am. Linseed com.	....	....	1.82	5.82	5.77	0	79	0.00	Peace earnings high.
Am. Locomotive com.	1.30	—13.00	36.08	21.80	16.64	5	93	5.40	Benefits reconstruction demands.
Am. Smelting & Refining com.	6.51	16.80	31.73	24.14	7.29	4	86	4.70	High silver benefits greatly.
Am. Steel Foundries	—1.35	—1.20	19.89	30.19	13.69	8§	46	17.40	Outlook bright.
Am. Sugar Refining com.	2.90	4.99	18.46	20.09	16.45	7**	138	5.07	Large increase in earnings expected.
Am. Tobacco com.	21.04	20.05	22.73	25.25	33.45	20	228	8.77	Shows increased earnings.
Am. Woolen com.	—0.06	6.40	15.32	40.42	21.36	5§	118	4.20	Record demand from products.
Anaconda Copper	1.89	7.16	24.85	17.04	11.59	4	75	5.30	So. American properties active. Silver prospects.
Baldwin Locomotive com.	—5.25	7.14	22.91	40.22	51.81	0	112	0.00	Foreign orders coming in.
Barrett Co. com.	10.31	21.19	32.84	20.54	18.77	8	142	5.63	Outlook bright.
Bethlehem Steel com.	32.60	112.50	286.30	43.20	17.98	5§	97	5.20	Adjusting to a peace basis.
Burns Bros. com.	8.40	12.11	10.03	21.27	18.35	10	157	6.36	Large expansion program in effect
Butte & Superior	5.21	33.37	31.79	0.94	2.17	0	36	0.00	May settle suit.
California Petroleum pfd.	11.54	7.80	8.44	12.41	16.43	7	81	8.60	Record earnings.
Central Leather com.	6.41	10.82	33.14	30.42	10.44	5§	113	4.40	High prices help.
Chino Copper	3.44	7.67	14.40	11.27	4.66	3	47	6.40	High intrinsic value.
Colorado Fuel & Iron com.	....	....	5.97	11.15	7.51	3	52	5.80	Earnings fair.
Continental Can com.	10.69	12.05	22.38	32.63	13.86	6	97	6.20	Earnings decrease.
Corn Products Refining pfd.	7.73	10.62	20.39	38.05	29.01	7	90	7.80	Selling of plants unfavorable factor.
Crucible Steel com.	—2.94	5.39	45.89	42.12	48.25	0	118	0.00	Has good dividend prospects.
Cuba Cane Sugar com.	....	....	17.36	7.63	1.25	0	40	0.00	Good crop expected.
General Electric	11.12	11.57	18.31	26.50	14.77	8	172	4.07	Showing good return.
Goodrich (B. F.) com.	5.62	17.17	12.76	14.50	25.67	4	87	4.60	Products in large demand.
Greene Cananea Copper Co.	1.97	1.04	7.03	5.05	6.87	0	44	0.00	Mexican situation better.
Gulf States Steel com.	....	10.17	30.25	34.83	9.96	4	71	5.60	Earnings reduced but readjusting to peace.

International Agricultural Corp. pfd	0.65	—7.47	9.80	9.31	14.89	5	89	5.60	Outlook bright.
International Harvester	....	....	....	25.24	28.14	6	146	4.11	Large accumulation of orders.
International Nickel com	2.80	3.33	6.83	7.78	5.79	0	32	0.00	Nickel demands great.
Kelly-Springfield	5.18	7.16	9.19	12.03	20.78	4§	133	3.01	Best grade products.
Maxwell Motor com	0.30	6.55	30.18	30.72	5.71	0	53	0.00	Increasing production. Tractor field large.
Mexican Petroleum com	4.78	4.93	15.79	10.23	21.70	8	194	4.13	Intrinsic values improving.
Miami Copper	1.65	4.56	10.39	6.63	7.04	2	28	7.10	Dividend reduced.
Midvale Steel	....	1.44	31.46	35.58	29.21	4	59	6.80	Earnings on the decline.
National Biscuit com	11.75	9.52	8.10	9.87	11.63	7	128	5.46	Earnings increase.
National Enameling & Stamping com	—0.32	2.02	11.67	23.39	13.94	6	80	7.50	Maintains high earnings.
National Leal com	3.73	4.86	6.16	15.45	14.46	5	83	6.00	Building construction helps.
Nevada Consolidated Copper	.74	2.78	7.51	4.83	1.70	1½	19	7.89	Production decreased.
New York Air Brake	6.41	13.43	82.15	18.94	20.53	10	126	7.93	Expects to manufacture trucks, dividend safe.
Pressed Steel Car com	.14	3.60	15.00	10.04	24.61	8	91	8.80	Earnings increase.
Railway Steel Spring com	—0.42	3.09	20.49	32.32	18.38	8	96	8.30	Earnings holding well.
Ray Consolidated Copper	1.65	3.08	7.65	6.60	3.05	2	25	8.00	Increased demand for copper expected.
Republic Iron & Steel com	.56	6.50	47.67	51.88	22.22	6	98	6.10	Production decreased.
Sears, Roebuck com	21.30	17.57	20.56	19.29	17.63	8	205	3.90	Expects good year.
Sloss-Sheffield com	.21	.53	14.44	15.73	15.03	6	74	8.10	Earnings on the decline.
Studebaker Corporation com	12.79	27.46	26.14	9.11	10.39	4	108	3.70	Improved earnings.
Tobacco Products com	1.03	2.31	5.44	9.32	17.00	6	104	5.80	Acquiring new properties.
United Cigar Stores com	7.09	7.69	10.10	9.41	13.60	9	195	4.61	Expanding through Un. Detail Stores.
United Fruit	6.19	16.12	27.97	26.72	28.01	10	191	5.23	Record earnings.
U. S. Cast Iron Pipe pfd	0.60	2.55	10.91	11.18	9.24	5	74	6.80	Earnings fair.
U. S. Food Products	....	....	....	....	31.13	2§	76	2.63	New food products.
U. S. Industrial Alcohol com	1.94	12.60	36.14	54.67	51.67	16	135	11.85	New motor fuel proven.
U. S. Rubber com	9.18	10.80	17.75	28.83	30.86	0	133	0.00	Product in demand.
U. S. Smelting & Refining com	1.60	13.93	20.49	5.14	8.75	5	69	7.30	Record earnings from high silver.
U. S. Steel com	....	9.96	48.46	39.15	22.10	5§	113	4.40	Earnings decrease.
Utah Copper	5.34	11.03	24.46	18.46	11.66	6	93	6.50	Increased copper demand looked for.
Virginia-Carolina Chemical com	3.39	7.55	10.39	10.92	24.24	4§	86	4.70	Products in large demand.
Westinghouse Electric com	5.36	2.37	10.22	12.56	10.68	4	58	6.90	Peace production on great scale.
Willys-Overland com	3.56	11.37	5.74	4.85	5.53	1	38	2.63	New properties showing up well.
Woolworth (F. W.) com	10.86	13.19	15.57	16.72	12.43	8	132	6.06	Increased earnings maintained.

NO 1918 EARNINGS REPORTED

	1913.	1914.	1915.	1916.	1917.				
Am. Car & Foundry com	4.09	5.52	.76	2.38	27.37	8	111	7.20	Earnings well maintained.
Am. Zinc com	—4.65	1.53	54.92	139.52	11.08	0	26	0.00	Barely holding its own.
Great Northern Ore	.71	.54	.70	1.39	—1.50	0‡	51	0.00	Showing good earning power.
Pan-American Petroleum	....	....	....	....	11.59	5	107	4.70	Expansion program under way.
Pullman Co.	9.29	9.04	8.79	10.32	11.36	8	127	6.29	Earnings steady.

†Re-capitalization; 3 shares new for 1 share old stock.

**3% extra in quarterly installments of ¾% each. §Extra dividends. ‡No regular dividend. Has made two distributions of $1 each and two of $2.

Current Stock Offerings

A REGULAR feature of "The Magazine of Wall Street" hereafter will be a brief presentation of the salient facts concerning current stock offerings. No opinion or rating of any kind will be attempted, and the purpose is purely to keep the reader informed on the more important issues. The plan will be to arrange the offerings in alphabetical order.

BARNET LEATHER 7% CUM. PREF. Company manufactures high-grade calf leathers. Has a modern tannery and plant at Little Falls, N. Y., which has been in operation for about 40 years. Management has decided to enlarge plant and secure larger working capital, to care for the expanding needs of the business. Old company to be recapitalized. Capitalization authorized and to be issued: Pref., $2,000,000 and $4,000,000 common (par $100). Net before taxes in 1918 was $1,125,000 and is estimated at $1,250,000 in 1919. Dividend requirements met by wide margin. Net tangible assets about $200 per share of preferred. Issue carefully protected as to issue of further indebtedness. Management of new company includes many members of old property. Preferred offered for subscription at 97½ to yield about 7.15%, and common at 50.

GODCHAUX SUGARS, INC., 7% CUM. FIRST PREF. Largest producers of sugar cane in U. S. Also refiners of domestic and foreign sugar on an extensive scale. Business started 50 years ago. Capitalization authorized and issued: 1st pref. $3,500,000; 2nd pref. $3,500,000; common stock 70,000 shares (no par value). Average earnings for past three years after depreciation estimated to be about 4 times dividend requirements on first preferred. Valuation of property almost three times first preferred. Liberal sinking fund and dividends on preferred given good protection. Management to remain unchanged. First preferred offered at 96 to net 7.2%, with privilege of buying one share of common at 25 for every four shares of first preferred purchased.

INTERSTATE IRON & STEEL 7% CUM. PREFERRED. Company stated to be in successful operation since 1905. Plants of Company consist of an open-hearth steel plant, a wire plant, one for the production of merchant bar iron and steel and a hard steel rolling mill. Proceeds from sale of this issue to be used to build a new plant and to make other improvements. Net earnings in 1918 applicable to preferred stock dividends equal to 3.8 times annual dividend requirements. For past seven years, dividends requirements have been earned on average of 3.7 times. Net total assets equal to $353 a share; net quick assets, $113 per share. Liberal sinking fund and careful provisions for protecting issue. Offered at 99 to yield about 7.05%.

NEW ENGLAND SAVOLD TIRE COMPANY. Introduction of Savold process for reclaiming and rebuilding tires in the New England States. Company will eventually have factory service stations in 20 cities from Bridgeport on the Boston Post Road straight through to the Canadian line. Management predicts great success in this territory. Capitalization: authorized, $4,000,000, par value $25; issued 160,000 shares. Officers and directors: William T. Richardson, Pres. and Managing Director, member of W. T. Richardson & Co., engineers; Seth T. Gano, V. P. and Secretary, V. P. Western Coke & Collieries, Inc., Robert J. Richardson, Treasurer, capitalist and cost accountant. In addition directors include Chester I. Campbell, Pres. Back Bay National Bank, Boston, and Frederick L. McGowan, Director Boston Real Estate Exchange. Principal New England offices, Savold Tire Building, 96-98 Brookline Avenue, Boston.

NEW JERSEY SAVOLD TIRE COMPANY. Company to introduce Savold Tire process in state of New Jersey, and will conduct factory service stations in that state. Capitalization; authorized, 2,000,000, outstanding, $500,000, par value of stock, $20. Officers of company: L. R. Best, President, A. J. Davis, V. P., and R. K. Underhill, secretary and treasurer. Company's main plant and executive offices are located in Newark Ten ovens with all necessary equipment are to be placed in Newark plant. Will have capacity for 400 tires a day. Other stations contemplated will bring capacity up to 1,000 tires daily.

PRESSMAN TIRE & RUBBER COMPANY. Organized in May, 1919 to sell and distribute automobile tires and tubes exclusively on a large scale. Stated that its activities will embrace the entire tire field not only in this country but also South America and Europe. Company takes over the Pressman Tire Company, with which it is stated to acquire valuable contracts. The old company has shown very rapid growth and did a large volume of business. Capitalization: authorized $3,000,000, par value $10; outstanding, $1,347,680. Stock offered for subscription at $10.50.

SIMMS PETROLEUM COMPANY (of Delaware). Holdings by Texas Corporation which this company owns will embrace leases in 20 counties in Texas, including some of the most prominent fields. Lands acquired during past three years because there were ample evidences of their high oil value. Sufficient capital to develop territory, which will be started at most opportune time. Capitalization: authorized 500,000 share (no par value). Outstanding 425,000 shares. Company will have $3,600,000 in cash and 75,000 shares of stock in its treasury which will be used for development of the Texas Corporation and other purposes. Persons that have agreed to serve as directors include a number of very prominent names. Issue well sponsored. Mr. E. F. Simms, who is to be President of the new company is stated to be one of the leaders in the oil development of the Southwest and Mexico. Stock offered at 31.

THE STEEL & TUBE COMPANY OF AMERICA 7% CUM. PREFERRED. Company formed to take over a number of old established properties and will be one of the three largest manufacturers of steel pipe and other tubular steel goods in the U. S. Will own and operate all the units from the raw materials to the finished products. Net assets per share, $359; net quick assets, $121. Dividend requirements earned on average of 6 times over in past three years. Stated that future earnings will be substantially increased through operation of recently completed plant additions. Annual sinking fund of 3% of total amount of preferred issued to be used to retire it at 110. Offered at 98 to net about 7.15%.

WHITE EAGLE OIL & REFINING COMPANY. Property consists of large and well equipped refinery located at Augusta, Kansas, with a capacity of 5,000 barrels daily. Also owns pipe lines, tank cars, large tank capacity in connection with the refinery and 70 distributing stations located in Kansas and Colorado. Distributing stations market a very large proportion of product. In addition company owns oil and gas leases covering approximately 3,600 acres in proven territory, which are now being drilled. Earnings per month during May, June and July estimated at $75,000 and at $150,000 thereafter. Capitalization; authorized, 320,000 shares (no par value) outstanding, 154,300 shares.

Trade Tendencies

As Seen By Our Trade Observer

The average investor has neither the time nor the opportunity to follow developments in the various industries, although such developments at times are of vital importance in the consideration of the long range prospects for securities. This Department will summarize and comment upon the tendencies in the more important trades as expressed in the authoritative trade publications and by recognized leaders in the various industries. As the general tendency in a given trade is but one of the many factors affecting the price of securities representing that industry the reader should not regard these Trade Tendencies alone as the basis for investment commitments, but merely as one of many factors to be considered before arriving at a conclusion.—Editor.

Railroads

How Will Railroads Be Regulated?

The big problem in the railroad world right now seems to be that of Government regulation after the restoration to private ownership. The storm-center of the controversies is the Interstate Commerce Commission.

Some of the plans proposed would go so far as to wipe out the commission entirely, giving its present powers to a new board of more limited scope. Others would extend the powers of the commission to include the initiation of rates, though Director-General Hines has stepped out openly against this scheme.

A prominent railroad executive has formulated a plan for a superior body empowered to take appeals from the commission, in such a way as practically to take away the majority of the commission's power. The president of another large system proposes the establishment of a Bureau of Interstate Transportation, to carry on the executive and administrative functions of the commission.

On the other hand, the Warfield plan, which has found much favor in discussions so far, proposes that the commission have practically full charge of the roads, including matters of rates and wages, in addition to a plan of regional monopoly.

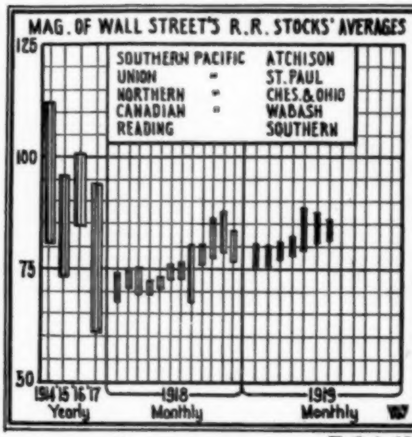
The points brought out in all these plans and their discussions are, that the present system of regulation by the I. C. C. has aroused much dissatisfaction, that, on the other hand, there is no demand of any importance that the Government abandon, or even soften, its regulatory powers, and, lastly, of most importance to those interested in the railroads from the investment point of view, a general recognition that whatever policy is finally adopted will have to allow greater returns to the roads to enable them to rehabilitate their financial structure and to meet the higher operating expenses which do not show any symptom of decline.

Equipment and Maintenance Problems

A long step forward has been made in clearing up the complicated equipment situation by the announcement of the bankers' plans for the financing of the railroads' purchase of $400,000,000 worth of equipment through the Railroad Administration. This plan is more fully discussed in the "Railway Equipment" section of this department.

With such changes as may be found advisable on further consideration by the railroads and the Administration, the plan should effectually settle this phase of railroad reconstruction, always assuming that the three parties involved, the Government, the bankers and the roads, will come to a mutually satisfactory agreement. With the present wide-open market for new securities of all sorts, it should be more than usually easy to float the issues provided for.

The problem of maintenance is so confused that one of its prime elements is still the question: Is there a maintenance problem at all? Government authorities say that physical depreciation of the roads has not been so heavy as to constitute a serious difficulty; on the other hand, many railroad executives insist that the wear and tear on the roads, uncompensated because of war-time exigencies and the policy of the Administration, will constitute one of the great obstacles to efficient operation.



To July 10.

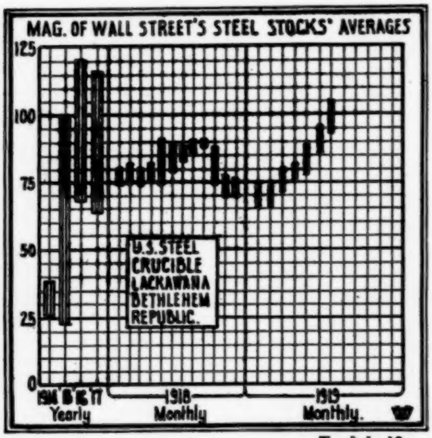
With regard to changes in the railroad sit-

uation before the return to their former owners, the most important development probably is the apparent change of heart of Director-General Hines on the rate question. From being an uncompromising opponent of any further increases this year, on the ground of increasing traffic, the Railroad Administrattion head has seemingly been persuaded that perhaps such increases will be necessary, even during the short period that is left for Government operation. This possibility was discussed by Mr. Hines in a hearing before the House Interstate and Foreign Commerce Committee as one that demanded serious study.

Steel

Steel Industry Turns Corner

That the turning-point has been reached in the steel industry and that the period of readjustment is over is the conclusion of steel men from a study of recent activity. The mills as a whole are now operating close to a 70% basis, and in some districts mills are reported to be working at 80 to 85% of capacity. In some quarters the prediction is even being



To July 10.

made that before the summer is over steel production will have reached full capacity.

Steel pipe makers are booked to capacity for the end of the year, largely because of the phenomenal activity of the oil industry and its consequent heavy demand for piping. Further orders are being refused in many cases, and prospects for the rest of the year indicate steady prices and an accumulation to some extent of warehouse stocks.

The structural steel trade also reports increased business, especially on the part of the larger construction firms. Mills are gradually rising above the 50% production level, and with a good outlook for the construction of new industrial plants prices are expected to stay firm for the rest of the year.

Resales of the stocks of tinplate thrown on the market by the cancellation of orders following the armistice are about over now, and a heavy outside demand has developed. Tinplate mills are now operating at an average of 85% of capacity. Steel plates are not making as good a showing, being well under 50%, but the trouble there is with the large production facilities developed during the war in connection with the shipbuilding industry. Orders are being received in large volume from foreign shipbuilders, notably Japan, and when a fair percentage of production capacity is reached it will mean more this year than it ever did before because of the great expansion of capacity.

Rail production is still practically marking time while waiting for a final decision of the railroad equipment problem. To some extent the lack of the normal domestic demand for rails is being made up by heavy exports, particularly to Japan, France and Spain. Sooner or later the tremendous railroad demand will set in, and then production will take a sudden rise.

U. S. Steel's Unfilled Orders

The unfilled tonnage report for the month of June totaled 4,892,855, as compared with 4,282,310 for May. This just about made up the decrease of May below April, and is regarded by steel men as a confirmation of their belief that steel has now fairly started on its era of prosperity.

A considerable part of this good showing is due to two orders totaling 500,000 tons received in May but too late to be included with the figures for that month. It must be considered, however, that the increase is especially significant in view of the increased production, which would normally cut down unfilled orders if new orders for large quantities were not being added continually.

Prices, as commented on before, are likely to remain at their present levels for some time to come, in spite of the growing restiveness of the smaller steelmakers, who are clamoring for an advance.

A factor which may be of more importance in a few months than it is now is the slowly approaching shortage of labor, partly due to the healthy growth of business, partly to the prospective emigration of large numbers of alien workmen. If the steel business keeps on improving at its present rate, as by all signs it is likely to, this shortage will in all probability become very pronounced. Incidentally, the labor scarcity assures the continuance of the present wage scale, which in turn means that a substantial item in the price of steel will not come down.

Chemicals

Splendid Promises for American Dyes

With a high degree of tariff protection practically assured by the favorable attitude of the next Congress toward the American "infant" dye industry, it seems probable that we may shortly find ourselves practically independent

of Germany as regards dyes, drugs and other coal-tar derivatives.

The situation thus far has been one where we had all the crude coal-tar products necessary, but lacked the necessary intermediate products, as well as the technical knowledge and skill needed to convert crude coal-tar into the gorgeous array of dyes, medicines and other products with which modern organic chemistry has made us familiar.

With the outbreak of the war we were practically thrown on our own resources with respect to these necessary products, and from about 1916 on, American manufacturers have made amazing progress in meeting the situation which promises well for the future. One great producer reports that he has brought his cost of production of a group of intermediates needed for the making of high-grade dyes and drugs from 68.9 cents a pound in January, 1916, to about 25 cents a pound in recent months, because of improved methods and equipment.

The improvement has taken place not only in production costs but also in quality and uniformity. A recent questionnaire showed that a great majority of the organic chemical users of this country believe that the American-made products are equal to or better than the German ones in these respects. That their conclusions were not due to patriotic bias was shown by the fact that 55% of them said in addition that they would be perfectly willing to buy dyes from Germany if they were cheaper, of better grade or more uniform.

Patents and Protection

While it is true that 4,500 German patents for the production of chemicals, held in this country, have been taken over by the Chemical Foundation to be used without discrimination for the benefit of all American manufacturers, it must not be imagined that this automatically solves the problem. The patents merely indicate how the chemicals are to be made, but it takes years of patient scientific and industrial investigation to work out the most efficient processes for their production in the required quantities.

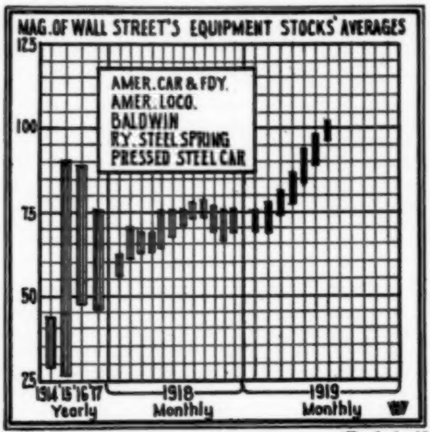
American chemical manufacturers therefore have innumerable problems on their hands. Protection from German dumping during these experimental years will leave their energies free to devote themselves to these problems of quality production instead of concentrating on maximum output.

The licensing plan which the Committee on Ways and Means of the House has adopted is regarded by American dye men as a more effective barrier against German competition than the tariff. It will strictly regulate the importation of German dyestuffs into this country, and thus give the American manufacturer a chance to develop his processes, necessarily at high cost during the early stages, unhampered by the greater present efficiency of foreign makers who have had forty years' experience to his four.

Railway Equipment

Equipment Situation Clearing Up

At last a definite solution has been proposed for the vexing problem of how to provide for the proper equipment of the railroads when they are returned to private ownership. The plan was worked out by a committee of bankers appointed by the National Association of Railway Executives, and is now being considered by the different roads.



To July 10.

The broad outlines of the scheme are as follows: A national equipment corporation is to be organized, to issue $280,000,000 worth of 15-year equipment trust certificates to the public and $148,000,000 of stock, which it is suggested should be taken by the Railroad Administration. This will provide the funds for the purchase of $400,000,000 of equipment, and a $28,000,000 reserve fund in addition.

The stock is to receive 4½% cumulative dividends and be redeemed at the rate of 1-15 of its par value annually, so as to be all extinguished by the time the equipment trust certificates mature.

The equipment purchased by the corporation is to be allotted among the railroads, who are to pay for it in fifteen annual instalments, together with 6% interest on the trust certificates.

According to this plan, the Railroad Administration would be reimbursed to the extent of $252,000,000 immediately upon the sale of the equipment trust certificates, and would receive $148,000,000 in stock of the corporation for the rest of its $400,000,000 investment in equipment for the railroads.

This plan gives the solid foundation for a comprehensive settlement of the delicate problem of the restoration of the roads to private ownership, whether it be accepted by the roads in its present form or not. The very fact that the beginnings of a permanent solution of this knotty situation have been made should lead to increased activity in the railroad equipment business and to a more buoyant outlook.

Labor Shortage Reported

The one disturbing factor for the equipment manufacturers is the growing shortage of labor in the steel industries. Wages have been steadily maintained and in the opinion of leading producers will not go down within the near future. A recent estimate indicates that two-thirds of the productive capacity of the country for steel products is already engaged, and that the present prospects are for further expansion of the steel industries.

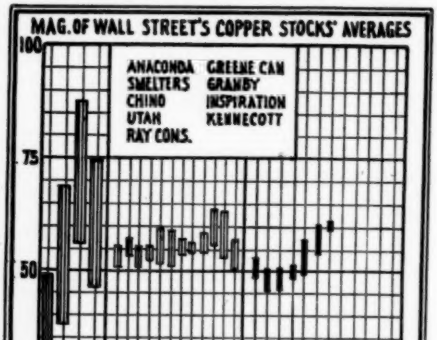
Heavy shipments of locomotives for the account of the Railroad Administration and of rails to Japan have been features of the equipment market. Export demand is expected to be heavy when peace is signed, and some concerns have already received large foreign orders.

Copper

Improvement in Copper Continues

Copper prices have reached the 21-cent level which was predicted for them before the summer was up. This improvement is not a purely local affair, as London prices have also advanced, after a late start, to a parity with ours.

With the increased activity following the definite settlement of the peace problem, copper seems likely to go on and up, as it is basic in all sorts of manufacturing. The existence of a heavy surplus does not seem to be holding the price down, as it is gradually being removed by the keen demand, and can be held by the copper producers at a very small cost per pound, enabling them to wait until prices are better before they sell out their stocks.



To July 10.

Labor troubles in some of the copper and brass mills of New England, which caused apprehension for a time in the copper market, have apparently been smoothed out and no drop in the domestic demand is in sight.

Where labor may enter as a disturbing factor is in the producing end. There has been talk of a shortage of labor in the mining camps, and in addition some of the Western miners are said to be contemplating a general strike. Should this occur, the first market effect would of course be to raise the price of the metal, and next the releasing of the billion-pound surplus at advantageous prices. The mining companies would therefore not stand to lose heavily, even should the worst come to the worst in the labor field.

Export Demands Active

It is well known that a good deal of the stimulus for the recent boom in copper was supplied by the active Japanese demand. Japan has decided to abandon practically the mining of its own copper resources, and instead to buy from America, as we can produce the metal cheaper despite the handicap of ocean freights and insurance. Japan has greatly increased its manufacturing ability for the handling of copper and brass through the war period, and apparently intends to reach out for world markets in finished copper products.

Among the Allied nations the embargoes hitherto existing on the importation of copper have been successively removed, indicating a large demand from this quarter. More particularly does this refer to France, which has a tremendous reconstruction program to carry through.

Germany, which used to import in the neighborhood of 250,000,000 pounds of copper from us annually, is back in the market again as a customer for our metal, and if she ever expects to pay the indemnity she will have to consume large quantities of raw copper to turn into finished products.

Hence, what with the export demand sketched above and an increasingly urgent domestic demand, copper seems about due to reach higher levels within the immediate future, barring any totally unexpected and fundamental developments.

Public Utilities

Public Utilities Still "Unreconstructed"

The public utilities, taken as a whole, are just beginning to pull out of the Slough of Despond. In one city and town after another they have succeeded in overcoming a hostile body of public opinion and in demonstrating to the Public Service Commissions or other regulating bodies that increased rates or fares were necessary.

But they still have to deal with some of the problems raised directly or indirectly by the war. To take a single phase of the situation, in normal years from $600,000,000 to $700,000,000 of new capital was raised each year by the public utility companies of the United States to provide for extensions of plant and improvements. During the participation of this country in the war the total amount raised for these purposes was cut down, largely through the Capital Issues Committee of the War Industries Board, to $250,000,000 a year. This means that there has been a proportionate extra wear and tear on ex-

isting facilities of the public utility companies which will have to be made up sooner or later.

The traction companies were hit the hardest of all the public utilities by the changes arising out of the war. Since we entered the war, about 4,900 miles of track have gone into receivers' hands, about 10% of the total street railway mileage. Their great handicaps over the other utilities have been first, the relatively greater importance of labor in their expenses, especially of the less skilled labor whose wages rose so tremendously during the war, and second, the comparative inflexibility of their selling costs, which are practically universally regulated by Public Service Commissions, or words to that effect, who are little inclined to favor the companies at the expense of the public.

Within recent weeks, the ten-cent fare decision in Boston and the 2-cent transfer charge permitted to the New York surface lines by Commissioner Nixon, though the latter policy is still subject to reversal by the courts, would seem to indicate that the traction companies have finally succeeded in making municipal authorities see the corporation's side of the question of rate raises. Whether this changed attitude will pervade all the public utilities is of course, problematical, but at the least it is a hopeful sign for the companies.

Cotton

Cotton High, and Likely to Stay So

Though the spectacular things about the recent great rise in cotton has been the great daily fluctuations, sometimes amounting to the limit of 150 points a day fixed by the Cotton Exchange the high present level is not a mere matter of bullish sentiment, but is based on very solid world-wide considerations of supply and demand.

That there is likely to be a cotton shortage for the whole world is the conclusion of most cotton experts. Figuring the normal demand of the world, even without such additions as might come through replenishing stocks depleted by the war-years, the textile industries of the world, it is estimated, will want 16,500,000 bales. To meet this, the American crop is grown on a reduced acreage by over 8% over last year's, with a condition estimated at 70%, as compared with a ten-year average of 80.3%. As a result, the crop is estimated at 11,000,000 bales or less.

In addition to this there is about 4,500,000 bales of carry-over from last year's crop, making a total available supply of 15,500,000 bales, or 1,000,000 less than the estimated world demand.

What this means is that, even at the best, if the crop condition becomes no worse, and the cotton-consuming countries of Europe get no more than their share, there will be a world shortage of 1,000,000 bales, and no carry-over for next year.

The Role of the Export Corporation

But in this connection a new factor has come into play. Acting on the suggestion of Governor W. P. G. Harding of the Federal Reserve Board, cotton planters, brokers, warehousemen, and others have formed a $100,000,000 corporation to stimulate the export of cotton, which has been declining steadily since the war.

No doubt one of the motives behind this was the desire to get rid of the domination of the Northern cotton broker and purchaser by providing a broad alternative market in foreign countries.

The net result of the export activities of the corporation will, however, be to decrease still further the already small amount of cotton available for the demand of this country, and thereby either keep the price at its present high levels or else lift it still higher.

The outlook therefore is that cotton will go higher, as the inadequacy of the present supply to meet the world demand manifests itself more and more strongly.

Rubber

Rubber Market Not Yet Awakened

Unlike most of the other commodity markets, the rubber trade is still in the stagnating stage, where the end of the war left it. Imports are decreasing, there is a large surplus on hand, and prices are the lowest recorded in years.

The one sustaining feature is the activity of the tire manufacturers, who are among the greatest consumers of rubber. The makers of mechanical rubber goods and appliances are having a dull time of it, enlivened only by active export inquiries from Europe.

With the resumption of activity in building, the manufacturers of air, water and steam hose expect better business, but they admit that the effects of this may be postponed for some time.

Crude Rubber's Low Price

A singular fact about the present rubber situation is that it is possible to buy crude rubber at two cents a pound cheaper in New York than in the Eastern markets of Singapore or Colombo, in spite of the freight, insurance and other items by which New York prices would normally be handicapped. This indicates the large oversupply and sluggish demand here.

The larger manufacturers are buying their rubber at sacrifice prices from Eastern producers who have to sell out their product because importers are already overstocked. The smaller ones, who usually buy in the New York market, are supplied for several months, and hence are buying very little crude.

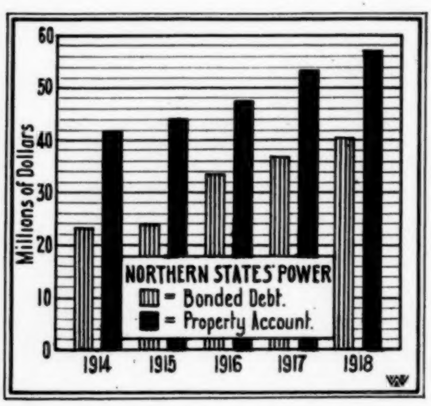
An incidental result of this situation is that the scrap and reclaimed rubber markets are very dull indeed, as manufacturers find it preferable to buy the crude rubber instead of the reclaimed. Added to this is the difficulty between the reclaimers and the scrap dealers, the former charging that the latter's prices for scrap are too high in view of the low price of crude. They say that the manufacturers are perfectly willing to use large quantities of reclaim if they can get it at a sufficiently low price.

Northern States Power Bonds Better Than Stocks

Although Gross Business Has Risen Rapidly, Net Earnings Have Not Kept Up With It

By GEORGE S. HAMMOND

OF the various classes of public utilities, the most popular at the present time is the electric light and power company. Especially well situated are the hydro-electric properties, whose operating expenses are relatively small, and whose income requirements are largely concerned with meeting the fairly constant charge upon the capital investment. Except for the needs of the steam reserve stations, they are free from the fluctuations of coal and fuel oil prices. Only in minor degree are they affected by shifting conditions in the labor market.



One of the largest and best known of the utilities which belong, at least partially, in the hydro-electric group is the Northern States Power Company. This concern, one of the Byllesby properties, supplies about one million people with some form of service in Minneapolis, St. Paul, Stillwater, Fargo, Sioux Falls, Galena, Ill., Platteville, Wis., Grand Forks, N. D., Mankato, Minn., Faribault, Minn., Minot, N. D., and a number of communities adjacent to the foregoing, making a total of 225 cities and towns. This is clearly an extensive territory to be covered by a single company. It is, moreover, a very excellent and growing territory holding forth splendid promise for the future.

Character of Service

Of the total 225 communities, 208 are served with electricity only. A few have gas service, and in Fargo and three other towns, the company operates the street railways. The following tabulation shows the proportion of revenues derived from the various departments. Electricity forms 88% of the total.

GROSS REVENUES, 1918

Electricity	$7,339,654
Gas	436,620
Street Railway	91,154
Steam Heat	459,187
Telephone	66,049
Total	$8,392,664

The generating capacity of the company's power stations is 122,184 horsepower. The company controls through its subsidiaries water power rights in the vicinity of Minneapolis and St. Paul estimated to be capable of developing about 146,000 horsepower. There is also a contract with the Wisconsin-Minnesota Light & Power Company calling for an ultimate delivery of 20,000 horsepower of primary and an equal amount of secondary horsepower from hydro-electric developments in Wisconsin. Forty thousand horsepower of new steam generating capacity is now under construction, the major part of it in the Riverside station in Minneapolis. Construction expenditures for 1919 are placed at $3,000,000.

The growth of the demand for elec-

tric current has been tremendous though the 1918 report states that war time activities have benefitted it but moderately. The report goes on to say, "In fact certain important sections of the territory served by the company, notably Minneapolis and St. Paul, would probably have shown a greater increase in business under more normal conditions. The company has been confronted with the necessarily large increase in rate of pay, which, together with the increased cost of operation and taxes, has been only partially compensated for by increase in rates." Some of the statistics of growth are shown in Table I:

TABLE I—GROWTH OF NORTHERN STATES POWER

	1918	1913
Electric Consumers	101,438	45,518
50 Watt Equivalents	1,815,278	955,439
Horsepower Motors	159,043	60,388
Present Capitalization:		
Funded Debt	$40,912,500	
Pref. Stock, 7% Cum	15,806,500	
Common Stock	6,107,000	
Total	$62,826,000	

The Northern States Power Company of Delaware is a holding company owning all the Stock of a Minnesota corporation of the same name. The latter company controls the Minneapolis General Electric Company and other subsidiaries. Most of the funded debt is made up of obligations of the Minnesota Company.

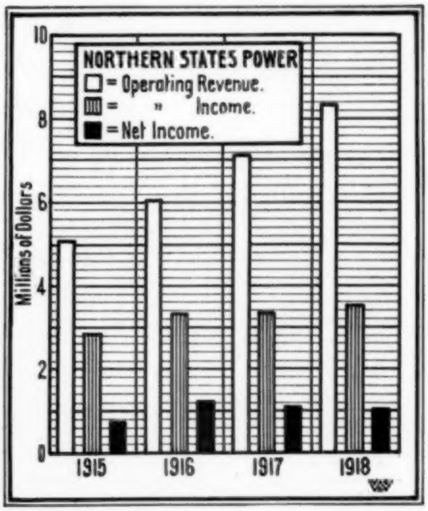
Earning Power

The earning power of the company is set forth in Table II. It is interesting to note the stability of the operating income throughout the period, the increase in operating expenses and taxes offsetting the gain in business. The margin over charges has been only moderate, but it must be kept in mind that an increase of about $10,000,000 in plant investment in the last three years, entailing about $325,000 more annual interest charges has brought no additional return because of the higher operating costs prevailing. With an adjustment of operating expenses, rates, or both, the net revenues should increase.

Of the past four years, two have produced small margins over dividends, one a somewhat larger deficit, and the fourth just broke even. This has produced a net gain in the corporate surplus of only about $130,000. This is obviously a mediocre showing. At the end of 1918 the corporate surplus of $751,458 and reserves of $839,325 were more than counterbalanced by $4,822,136 of debt discount and expenses in process of amortization appearing as an asset. Upon the company's own statement the common stock is not fully covered by tangible assets.

Though the bonded debt has grown rather rapidly during the past few years, its expansion has been an unavoidable accompaniment of the increasing demand for service and the various issues appear to be sound investments. The three principal bonds are the:

1. Minneapolis General Electric First Mortgage 5s due 1934, now quoted about 96, yielding 5.40%. These



bonds were originally issued to the amount of $8,000,000, of which $521,000 have been retired by the sinking fund of 1% annually. They cover the entire property, including the electric service in Minneapolis and several

smaller towns—the best territory of the system—by first lien and are a thoroughly excellent utility issue. Junior only to the foregoing are the,

2. Northern States Power First and Refunding 5s of 1941, quoted around 90, to yield 5.80%. They are outstanding to the amount of $23,068,500, cover the entire property, are protected by sound escrow provisions, and while not quite so conservative as the foregoing underlying issue, are amply secured and have a large equity in the two note issues, of which the larger is the,

3. Ten-year 6% Note of 1926, worth about 95 yielding 6.80%. The larger yield obtainable makes the notes attractive to investors requiring a liberal rate of return without the assumption of a speculative risk.

Position of Stocks

Earnings on the preferred stock have been as follows:

1915	9.30%
1916	11.38
1917	8.44
1918	7.00
Average	9.01%

This is a comparatively slim margin over the 7% requirement and although without interruption since 1910, however.

The balances for the comparatively small common stock issue have not been impressive. Their percentages and the amounts paid are given below:

	Earned	Paid
1915	3.22%	......
1916	5.91	3 %
1917	2.11	7
1918	....	1¾
Average	2.81%	2.94%

The inauguration of a 7% rate in 1917 was a somewhat ambitious undertaking, and in April, 1918, payments were discontinued. This was clearly the only course open to the management without violating sound business policy.

The quotation is 71-72. Considering the company's past record of earnings, its failure to add greatly to its surplus, and its apparently liberal capitalization, the present market value makes the stock a less attractive purchase than many other public utility issues.

Of course the small amount of the stock will cause the percentages earned to mount up rapidly with only moderate gains in net income, but this is a speculative consideration usually having more force with an industrial than with a public utility. Therefore the better values are to be found in the bonds.

TABLE II—INCOME ACCOUNT

	1918	1917	1916
Operating Revenues	$8,392,664	$7,154,509	$6,087,153
Operating Expenses	3,789,069	2,921,418	2,070,189
Maintenance Charges	529,210	411,786	348,599
Taxes	531,411	431,524	326,708
Operating Income	$3,542,974	$3,389,781	$3,341,657
Depreciation	445,000	435,000	415,000
Interest Charges	1,922,714	1,709,837	1,593,128
Discount and Amortization	138,345	140,000	130,000
Net Income	$1,036,915	$1,104,944	$1,203,529
Preferred Dividends	1,036,915	916,011	740,236
Common Dividends		429,902	283,813
Surplus		*240,970	*179,480

*Def.

an improvement may logically follow a return to more normal conditions, the present quotation of 90-92 is apparently a full valuation of the stock. Dividend payments have been made

The Coal Situation and Coal Stocks

Is a Coal Shortage Imminent?—Speculative Versus Investment Position of the Leading Issues—Pittsburgh Coal and Pittsburgh & West Virginia

By BENJAMIN GRAHAM

THE market history of soft coal during the past few years has closely followed that of copper. In 1916 and 1917 war demands induced a continuous advance in price, which was finally checked by Government price fixing. The signing of the armistice resulted in a radical curtailment of consumption, which in turn has compelled substantial concessions by the sellers. But even the decline in quotations has so far failed to stimulate buying to any extent and hence the output still remains well below last year's figures.

The shrinkage in demand since last November has been due to three causes: (1) Reduced requirements, (2) Expectation of further price recessions, (3) Seasonal lull in consumption. With all three factors in operation at this moment statistics show that production is now fully 30% below the 1918 figure, and practically no surplus stocks are being accumulated. Consumers, apparently still obsessed by the hope of cheaper coal, are doing practically nothing now to provide for next Fall's requirements. For this reason experts in the coal trade confidently predict a fuel shortage next winter rivalling that of 1917-18 in severity.

When the public finally awakes to the situation, the sudden rush of demand is certain to result in feverish activity and rising prices. If the stock market runs true to form, it will have anticipated this development by activity and strength in the coal issues, which hitherto have been lagging somewhat in the general upswing. From the speculative standpoint therefore, such stocks as Pittsburgh Coal, Pittsburgh & West Virginia and Pond Creek Coal should soon offer inviting possibilities.

But when we come to analyze their investment statue, the position of the coal issues is found to be much more

MACHINERY IS EXTENSIVELY USED BY COAL OPERATORS

This Illustration Conveys An Adequate Idea of the Extent to Which American Mine Owners Supplement Hand Work With Mechanical Time Saving Devices.

complicated. The above mentioned companies are all producing bituminous or soft coal, and we shall accordingly confine our attention to that commodity.

Prior to the war the margin of profit in the soft coal trade was relatively small, and the earnings on the issues in question were by no means encouraging, as we shall show in detail later. War prices brought sudden prosperity and large surpluses; but while current assets have been substantially increased, it is not evident how this will result in either expanded output or lowered costs.

The fact is that production expense has grown so rapidly that even a considerable advance over the pre-war selling price might be inadequate for profitable operations. Furthermore, the coal trade has of late been greatly disturbed by the menace of oil competition, in which the actual cost of production is almost negligible, and which threatens therefore largely to displace coal, unless the price of the latter can be reduced.

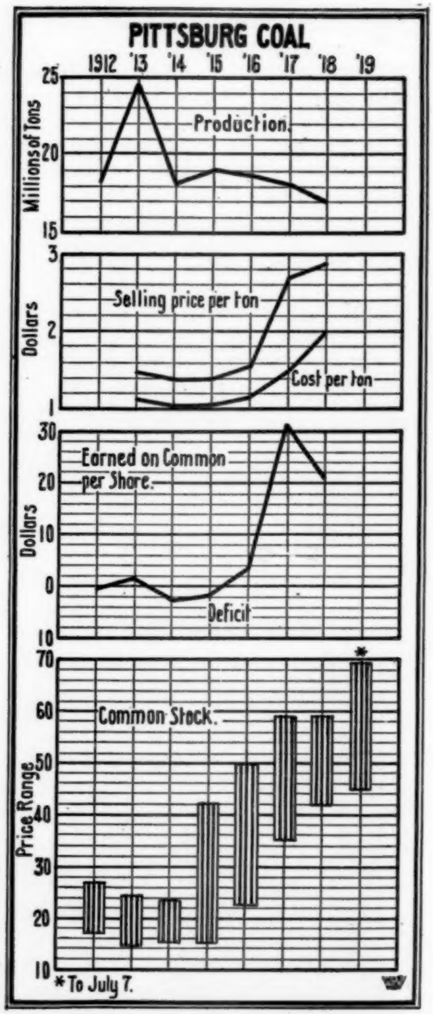
So while the immediate prospects favor a boom in the coal issues, the long range view is full of uncertainties. This may be brought out more clearly by a consideration of the individual companies.

Pittsburg Coal

This company claims to be the largest producer of soft coal in the world. It has now outstanding $20,500,000 of bonds and mortgages, $36,000,000 preferred stock and $32,169,000 common stock.

The appended graph shows the production, selling price, and cost of its coal since 1912, and also the earning on its present stock capitalization. Production costs are stated without including interest, depletion, depreciation, or war taxes. Figures given by Pennsylvania coal producers for April, 1919, show a slight increase over 1918. At the same time the current selling price of soft coal is well below the $2.89 figure, reported by this company for the preceding year. Pittsburg Coal's output is probably now fetching no more than $2.25 to $2.50 per ton on the average. Allowing the 1918 amount of 30 cents per ton for all fixed charges (other than war taxes) it is evident that the present earnings must be very small.

A study of the exhibit of the past years is not fruitful of encouraging conclusions. In the period prior to



1916, preferred dividends were covered in but one year, 1913, in which the small sum of $1.76 was earned on the common shares. It further appears

that the output has shown a declining tendency in general, while the curve of production costs has turned steadily upwards. The very large profits of 1917 were due to an advance of 90 cents per ton in selling price, and only 34 cents in costs. But in 1918 the shoe was on the other foot, as a further advance of 22 cents per ton in price was completely overshadowed by a jump of 51 cents in costs.

The only reason to expect a better post-war than pre-war record for Pittsburg Coal would seem to lie in its stronger current asset position. As compared with 1913, its holdings of cash and Liberty Bonds show an increase of about $8,000,000, or $25 per share. At the same time the present price of the common stock is about 45 points above the maximum quotation of six years ago. From a purely investment standpoint the market seems to have sufficiently discounted the war prosperity of Pittsburgh Coal.

Pittsburg and West Virginia

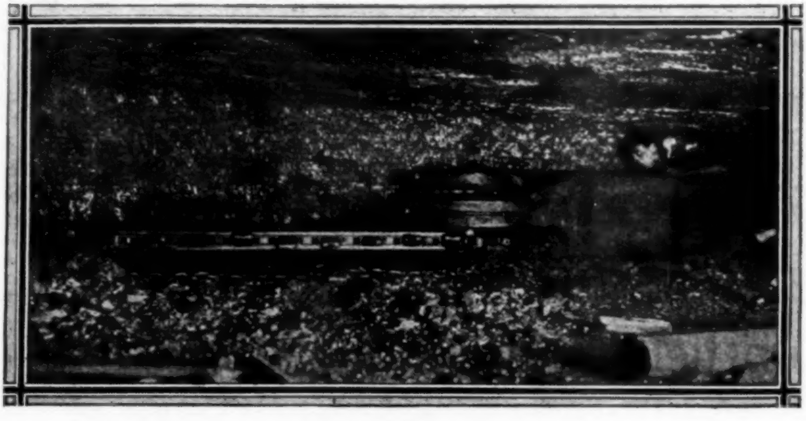
The interest of Pittsburg and West Virginia in the soft coal industry arises from its ownership of all the stock and some of the bonds of the Pittsburg Terminal and Coal Co.; which holds about 15,000 acres in the Pittsburg Vein. While the market appeal of the parent company during the past two years has been based almost entirely upon the supposedly large coal earnings, it is rather remarkable that no effort has apparently been made to determine the earning power of these coal properties in the pre-war period.

The writer has consulted all available data regarding the Pittsburg Terminal and Coal Co.'s operations since 1912, and has accordingly prepared the annexed graph which shows the annual output and also the earnings accruing to Pittsburg & West Virginia since 1912.

Detailed financial results are at hand only for the years ended June, 1914 to May, 1917. The 1912 and 1913 income is reconstructed from the balance sheet, and estimates for the last half of 1917 and the calendar year 1918 are taken from fairly reliable sources.

An analysis of these figures leads to the same general conclusion as in the case of Pittsburg Coal—namely, that the recent large earnings were due entirely to the high price of coal in war time, and that prior to 1916 the profits of the enterprise were very meagre. The Pittsburg & West Virginia Ry. has been receiving dividends at the rate of 6% on the $14,000,000 Coal Co. stock

CUTTING DOWN THE COST OF PRODUCTION

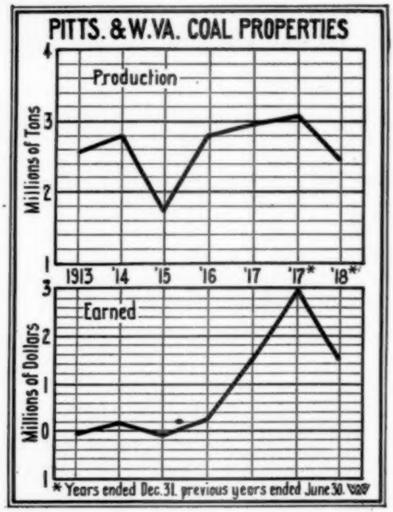


The Sullivan Iron-Clad Coal Cutter. It Has a Ten-Foot Cutter Bar.

owned by it, since the middle of 1917. These dividends together with the interest received on its bond holdings brought it a total income from its coal subsidiary in 1918 of $1,100,000—equivalent to the full preferred dividends and $2.20 per share of common stock.

Because of the very poor earnings during the test period 1911-1913, the standard compensation for the use of the railroad properties amounts only to about $300,000, or but $3.30 per share of preferred stock. Because of the large expenditures made during the receivership, the company would seem to be entitled to some extra allowance, but so far the Government has shown no signs of generosity to this road, or in fact to most of the other roads which have claimed special treatment. The guaranteed railroad compensation plus the coal earnings of $1,500,000 would make a total income of $1,800,000, equivalent to slightly over $4 per share for the common stock.

While this exhibit would in itself perhaps justify the present price of 40 for the junior shares, the extremely poor record in pre-war years gives rise to serious misgivings as regards its future earning power. Of course it is to be expected that a sharp advance in coal prices later in the year will greatly augment the Coal Co.'s earnings, which must now be running at a very



low rate. It must be admitted, therefore, that the stock has good speculative possibilities over the next few months; but as a long pull investment, it appears none too inviting.

Another Coal Shortage Threatened

Decline in Production of Bituminous—Output per Day Dropped from 1,600,000 Tons in January to 1,200,000 in April

By R. M. BRYAN, Eastern Manager, "The Black Diamond"

THE country is being threatened with another coal shortage. Some of the coal men predict that it will be fully as serious as that of the winter of 1917-18, unless the buyer pays more interest to the situation than he is doing at the moment.

At the recent annual convention of the National Coal Association, Harry A. Garfield, United States Fuel Administrator, issued this warning:

"Buy now—in August or the autumn will be too late! A big coal shortage is coming. Thousands of miners are going back to Europe, Coal production has fallen off considerably and a shortage of many millions of tons looks probable. My advice to consumers is to buy now while they can get a selection and delivery."

Dr. Garfield had abundant reasons for issuing this warning. While the Fuel Administration, of which he is the head, early in the year, ceased to

function, so far as the making of prices went, it has retained an engineering and statistical organization, and the latter, each week has issued statistics, showing the exact production of coal, and giving invaluable information about its disposition.

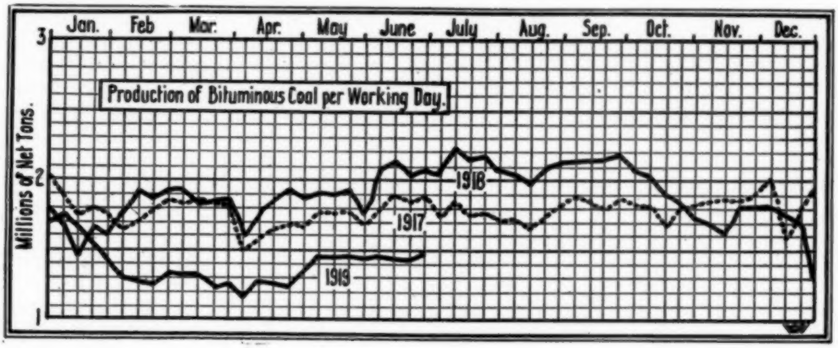
These figures show that for the months, beginning in January, and continuing until late in April, a steady decline in production of bituminous coal has taken place. Output per day dropped from around 1,600,000 tons in January, to as low as 1,200,000 tons per day in April. Early in May, production improved to the extent that the daily average got up around 1,500,000 tons.

conditions now facing this industry:

On the other hand, there is a growing shortage of mine labor. Thousands of alien miners are using every means to get passports and ships to visit their native lands. There is no immigration to take their place, and it is hard to attract native labor to the mines.

Car shortage is already affecting output in certain regions. Coal is too heavy and too expensive to handle to permit of its being stored at the mines when there are no cars at hand in which to load it direct from the tipple. Hence, when no cars are at hand, the mine does not operate.

On July 10th, at Kansas City, the



To coal men, these figures show an appalling apathy on the part of consumers, for these people, well versed in their trade, appreciate that the production of coal for the past four months, say, has barely kept up with actual consumption, whereas it is essential to insure against a shortage of coal in the fall and winter, that large stocks of coal be accumulated at certain points during the months when production and transportation conditions are most ideal.

Consumers Put Off Buying

This year, consumers, for one reason or another, have failed to exercise their usual business prudence. As a result, the fall season is now being approached with but few industries carrying more than a few days supply of coal at their plants, with these grave

directors of the National Coal Association, who for some weeks have been alarmed at the car situation, passed resolutions calling on Director-General Hines of the Railroad Administration, for a definite statement regarding the alleged shortage of cars. It was charged that there are thousands of new cars ready for use which are withheld from service, and it also was asserted that repairs to cars were delayed unduly. The shortage of cars was declared to cause a serious situation because of the impending grain movement, as well as for coal for winter stocking.

Up to the last week in June of this year, production of bituminous coal since January 1st, was only 212,581,000 tons, as compared with 284,585,000 tons for the corresponding period in 1918.

Scientific Myth or Billion-Dollar Oil Bonanza—Which?

Tremendous Possibilities in Alberta Oil Fields—Shell Transport and Standard Oil in the Race—Outcome in Doubt

By WALTER NOBLE BURNS

THE greatest subterranean reservoir of petroleum in the world may lie undiscovered somewhere in Alberta, western Canada. The present rival efforts to locate this lake of oil resemble an exciting game of roulette. The little ball is spinning. Will it drop upon a winning or a losing number?

The stakes are tremendous. If the vast oil bed is found, the new bonanza fields it is believed, will be a source of wealth that will rival the gold fields of the Rand or Klondike or the diamond mines of Kimberley? If the discovery proves up to expectations, the oil deposits of Pennsylvania, Texas, Oklahoma or Tampico may seem as bubbling springs beside a geyser.

The belief in this hidden oil wealth is not the mere dream of prospectors seeking sudden wealth. It is based on careful investigations of expert geologists. The rock formation of the country, the abundance of natural gas, a thousand surface indications lead to the logical conclusion that deep in the lower strata of the country lies untold riches in oil.

Billionaires Rarely Dreamers

The signs are so convincing that great combinations of capital, including two of the most powerful oil companies in the world, are now sinking wells everywhere in a mad race to be the first to unlock the secret of the treasure. This feverish activity, which is costing hundreds of thousands of dollars, is a good indication of the confidence of the monied interests in the ultimate success of the search. Capital does not, as a rule, buy dreams, and usually knows what it is about when it makes large investments.

The race between the Standard Oil Company, with a few billion dollars behind it, and the Shell Transport Oil Company, one of the richest of the English oil concerns, is what turfmen would call a pretty one and the American company has jockied into the better position and seems to have the rosier prospect of winning.

The Shell Transport Company, capitalized at $50,000,000, played for a monopoly in the field and lost and has now been compelled to take its chances with its rivals in the general sweepstakes. It made a proposal to the Canadian government to take over a grant of 250,000 square miles of territory in northern Canada, including most of the oil country, and agreed to pay the government 50 per cent of the profits on all oil struck and in the end to keep as its own 25,000 square miles after five years of drilling. The Dominion government rejected the proposal. To hand over to a single corporation a monopoly on such potentially vast riches did not appeal to Canadian ideas of fair play. If the proposal had gone through, the 25,000 square miles which the company wanted as its own, possibly would have developed into the richest spot in the British empire.

The Standard Oil company, through its Canadian subsidiary, the Imperial Oil Company, has gone ahead on the principle of "may the best man win." It announced in the Spring that it would spend half a million dollars, in prospecting for oil this year. It outfitted for an extensive campaign at Edmonton, shipped in drilling machinery and organized expert crews. It now has five expeditions in the field and is sinking its wells in the districts in which the oil prospects are most abundant and promising.

Its drilling crews are at work in the prairie country east of Edmonton along the transcontinental line of the

Canadian National railway, in central Saskatchewan and Alberta, and in Northern Alberta along the Peace River Valley; in the tar sands region along the Athabasca river; in the district between Lake Athabasca and Great Slave Lake; and along the upper Mackenzie River, 1,000 miles farther north than an oil well ever was driven before.

In addition to these two big corporations, several Canadian companies are at work. The Consolidated Oil Company has set up its drills along Peace River. Captain James Anderson represents a group of British capitalists who are operating in the tar sands region. Smaller companies and individuals control half a hundred drills in the tar sands district and along Peace River.

While scientists have said for years that northern Alberta was rich in oil, no such extensive prospecting ever has been undertaken before. If these efforts should result in tapping some wonderful oil reservoir, such as is supposed to exist, the rush to the oil fields undoubtedly would rival the stampede to the Klondyke gold fields of a few years ago. It is predicted, too, if oil is found in great quantities, that the fight between the Standard Oil Company and the Shell Transport Company to gain control of the fields, will be one of the most tremendous battles between vast financial interests in economic history.

The Tar Sands Region

The greatest activity in drilling wells centers around the tar sands region. The tar sands are unique. There is nothing exactly like them in the world. They begin thirty miles south of Fort McMurray on the Athabasca River. They extend to about forty miles north of McMurray. They are from thirty to forty miles wide and vary in depth from 20 to 225 feet. The entire outcropping has an extent of about a thousand square miles.

The sands are saturated with an oily, bituminous, tarry substance. They belong to the Dakota formation and rest uncomformably on Devonian limestones. Lithogically they are described as soft sandstone and the cementing material is a bitumen or inspissated petroleum derived from the underlying limestones. The sands are siliceous and usually fine grained but grade into a coherent grit. The tar in them is unequally distributed, in some places merely staining the grains, but for the most part, present in sufficient quantities to render the entire mass black and plastic.

An analysis shows that the sands contain 12.42 per cent bitumen; 5.85 per cent water, mechanically mixed; and 81 and 73 per cent of siliceous sands. A cubic foot of the bituminous sand rock weighs 117.5 pounds. This figure multiplied by the percentage of bitumen, 12.42 gives 14.59 pounds as the amount of bitumen present in a cubic foot. At an estimated minimum thickness of 150 feet and an area of 1,000 square miles, the tar sands contain more than twenty-eight cubic miles. Of this mass, 22.9 per cent in bulk or 6.50 cubic miles in bitumen. This calculation, of course, can be regarded only as an approximation, but it will serve to give an idea of the immense outpouring of bituminous substance which has taken place. The amount of petroleum, which must have issued from the underlying limestones to produce 6.5 cubic miles of bitumen, cannot be estimated, as the conditions of oxidation and the original composition of the oil are unknown.

Of these tar sands, Dr. G. M. Dawson of the Canadian Geological Survey, said in a report: "All the circumstances point to the probable existence of a great petroleum field of which possibly some parts already have exhausted themselves in saturating the lowest Cretaceous sands but of which probably the greater portion is still effectually sealed by the thick covering of overlying rocks. It is believed the source of the petroleum which has given rise to the deposits of bitumen is in the Devonian strata which here immediately underlie those of the Cretaceous age."

For years throughout northern Alberta, considerable drilling has been going on. The actual result has not

been large. The strong flow of natural gas from the borings has in many cases interfered with work. This gas which is found in many parts of the province is a petroleum product and is only another indication that somewhere, probably deeper than borings have yet reached, lies a great oil supply. Oil has been found in paying quantities in a number of instances but it has been of low gravity, for the most part.

It has been obtained in good quantities at a depth of around 1,500 and 1,800 feet. It is believed the higher gravity oil lies lower down. The oil so far discovered has been of a heavy viscous kind suitable chiefly for fuel purposes.

The Royal Commission which investigated the natural resources of the British Empire said, in reference to the Athabasca region, that it "evidently was one of the largest possible oil bearing countries yet unexplored on the face of the earth and that on the North American continent there is no other part which ever gave such evidence of rich oil fields."

Railways Would Follow

If oil is struck in great quantities in the northern Alberta fields, it will bring about much new railway construction. A branch already has its northern terminal at Peace River Landing and much of the region in which prospecting is now going on, lies north of this. Another railroad branch of the Canadian National road, extends as far north as Athabasca Landing with Fort McMurray on the Athabasca River as its contemplated terminal. These roads offer fine facilities for bringing out oil, shipped to their terminals from higher north by boat. But in case oil is struck in the Great Slave Lake region or on the upper Mackenzie River, it is planned by the Imperial Oil Company, to build a pipe line at a cost of $1,000,000 as far south as Edmonton.

The Dakota formation in which, all experts agree, the oil will be found, is of vast area, roughly bounded on the north by the transcontinental line of the Canadian National Railways which is also the principal outlet of the whole oil country. The formation extends from the Rocky Mountains eastward for several hundred miles and includes practically all of Alberta, at least a third of eastern and southern Saskatchewan and reaches into Montana and North Dakota. All the region underlain by this rock is a potential oil field.

Every expert who has investigated this district, declares that the prospects are bright for the bonanza discovery. With so much prospecting and exploration work being carried out, along systematic lines, the immediate future should pretty definitely determine whether the immense reservoir of oil which is believed to be hidden somewhere in the deep rock strata of the country, is a scientific myth or a billion-dollar reality.

WESTERN CANADIAN INDUSTRIAL CONGRESS

IN Western Canada a great new industrial movement is taking place. It is built largely on the plea that the West has not its just proportion of the industrial activity of the continent, that those manufacturers who sell the great bulk of their products to Western markets should build factories in the West for these marts; that the era now dawning promises to so realign industry and general Western development that if the manufacturers of the East do not realize the strength of this propaganda they will fail to hold their Western trade and the trade to which they sell along the Pacific Ocean routes.

The movement is centralized around a series of conventions to be held in Western Canada, the central point of which is Calgary, Alberta, a new and thriving city of some 70,000 people. The dates are August 11-16, and the convention is linked up with gatherings at several cities and tours by special trains to other points. Invitations are being sent out to manufacturers of all the English-speaking countries, particularly the United States and Canada. The point of assemblage is Medicine Hat, Canada, August 11, but the principal sessions are to be at Calgary on August 13 and 14.

The question of the realignment of industry in the West, the whole phase of Oriental and Pacific trade, international commerce and more specific data as to Western resources will be discussed by such experts as Harold McCormick, president of the International Harvester Co.; Henry Ford; E. W. Beatty, president of the Canadian Pacific Ry.; Sir Edmund Walker, president of the Canadian Bank of Commerce, and several scientists and research men.

Standard Oils Yielding Over 8%

The Position and Prospects of Buckeye, Illinois and Indiana Pipe Line Companies—Expect Larger Production in Wyoming Field

By C. N. LINKROUM

THERE has probably been as much misunderstanding and uncertainty regarding the pipe-line stocks as has surrounded any group of securities. This has been due to the peculiar nature of the pipe-line business, to the changed status of these companies in recent years as common carriers and to changing conditions within the oil industry.

That pipe-line stocks do not appeal to the investor as do other established oil securities is evident from the high-dividend yield at present prices of these stocks compared with the returns on other leading oil shares. If investors had reason to look for enhancement in value of the pipe-line issues they would certainly be willing to purchase them with a dividend return of less than the present yields, which run from 8% to 11%.

Investors to a large degree have lost confidence in these stocks as a result of their experiences since the Standard Oil dissolution. Following the segregation of the Standard Oil companies in 1911, when the actual merits of the various former subsidiary companies were known to a very limited circle, the pipe-line stocks with their high dividend rates stood out as very attractive issues for investment. But by 1913 earnings had begun to decline and by 1914 dividend reductions became general and the reductions have continued right up to the present time in the case of certain companies.

The first reductions followed a falling off in traffic and a cutting of rates. This condition was aggravated by the outbreak of the war, which completely suspended pipe line operations for a time. During the war period the great activity of the oil industry resulted in increased traffic but enlarged operating expenses and war taxes have had the effect of holding earnings of most of the companies down.

However, certain pipe line companies within the last two or three years have enjoyed a sufficient increase in earnings to warrant the distribution of extra dividends and this situation naturally leads up to the question of whether the turn in the pipe line situation is at hand and whether the stockholders can look forward to brighter days. It is impossible to answer this question in a general way for the reason that different conditions affect the various companies, and it is

TABLE I—BUCKEYE PIPE LINE'S TRAFFIC AND EARNINGS
(Since Standard Oil Dissolution)

	Runs from Wells Barrels	Other Receipts Barrels	Deliveries Barrels	Net Earnings
1912	6,928,938	22,540,033	30,138,632	$6,000,422
1913	6,234,352	22,962,648	30,330,923	3,632,581
1914	6,001,529	16,371,496	23,785,727	2,417,157
1915	5,547,143	18,287,920	23,520,257	1,523,801
1916	5,421,517	22,970,812	27,919,527	2,082,068
1917	5,459,145	26,295,437	29,750,398	2,380,083
1918	5,106,797	29,771,990	35,318,631	1,715,361
*1918	2,099,003	11,412,491	14,400,866	......
*1919	2,109,102	11,358,357	12,570,224	......

*First 5 mos. only.

necessary to deal with the companies individually.

In this article we will take up the position and prospects of Buckeye Pipe Line Company, Indiana Pipe Line Company, New York Transit Company and Illinois Pipe Line Company.

Buckeye Pipe Line

Buckeye Pipe Line's business consists of gathering crude oil from the wells and transporting this oil locally to its trunk lines and in transporting over its trunk lines both the oil which it gathers and that which it receives from other pipe line systems. The company's lines are all located in Ohio. It connects at the western boundary with Indiana Pipe Line and delivers to the Imperial Oil Company of Canada's line at Toledo. It also delivers to the Standard Oil refinery at Cleveland and to the Northern Pipe Line Company at the Pennsylvania border.

pany did not report the amount set aside for taxes but its accounts payable which included the tax reserve increased over $500,000.

There is no hope for increased runs from the wells for the Buckeye Company owing to the gradually declining production of the Central Western oil fields, but its trunk line business should continue on a large scale, as the company acts as a connecting link between the oil coming from the Mid-Continent field and the eastern refineries. Its earnings should be helped this year as a result of a recent increase in its charge from gathering oil from the wells from 20c. to 35c. a barrel. Another important factor affecting this company is Standard Oil Company of Ohio's plan to build a refinery at Toledo, Ohio, which will be supplied by the Buckeye Company and should materially increase the company's deliveries.

TABLE II—ILLINOIS PIPE LINE'S TRAFFIC AND EARNINGS

	Runs from Wells Barrels	Other Receipts Barrels	Deliveries Barrels	Net Earnings
1915	14,045,285	9,214,981	20,835,261	$4,320,000
1916	12,578,141	13,672,789	28,956,653	4,830,415
1917	10,954,066	5,312,172	16,983.693	4,072,390
1918	9,288,226	758,402	10,879,038	3,454,496
*1918	3,924,614	365,570	4,331,402	......
*1919	3,532,210	1,095,199	4,449,535	......

Company was only formed in December, 1914.

*First 5 mos. only.

Last two years' traffic record of the Buckeye Company was the best in its history with total deliveries of 35,318,631 barrels against the low of 23,520,257 barrels in 1915 and 30,138,632 barrels in 1912. The company's runs of crude oil from the wells, comprising the oil which it gathers from the wells of Ohio, were less than in previous years but the decline in this gathering line business was not serious when the increased receipts from other lines are taken into consideration.

In the face of this increased volume of business, the company's net earnings fell off from $2,380,083 in 1917 to $1,715,361 in 1918. The decrease in earnings was apparently due to taxes and higher operating expenses. The company

Last year's earnings of the Buckeye Company amounted to only $8.57 on the $50 par value shares, compared with the regular dividend rate of $8 a share per annum. This is a very slim margin over dividend requirements. It would appear likely, however, that earnings would increase this year, as a 15 cent increase in gathering charges is equivalent to $750,000 on runs from the wells amounting to 5,000,000 barrels per annum. This would mean a gain in earnings of $3.25 a share if traffic remained stationary and there is no increase in taxes.

Indiana Pipe Line

Indiana Pipe Line Company gathers oil in the state of Indiana and acts as a connecting link between Illinois

Pipe Line and Buckeye Pipe Line. Its main trunk line connects with the great plant of the Standard Oil Company of Indiana at Whiting, Indiana. The company's volume of traffic and earnings has been more stable than that of most of the other pipe lines and it now makes a better showing than most of the oil transporting companies.

Its net earnings for 1918 were equivalent to $11.46 a share on the $50 par value stock compared with the regular dividend rate of $8 a share. Last year the stockholders received $4 a share in extra dividends and received $1.50 extra in the first quarter of this year. It seems unwise to look for a continuance of extra dividends but the regular rate appears safe, as the company has never earned less than it did last year.

TABLE III—INDIANA PIPE LINE'S TRAFFIC AND EARNINGS
(Since Dissolution)

	Runs from Wells Barrels	Other Receipts Barrels	Deliveries Barrels	Net Earnings
1912	739,922	31,491,359	32,155,776	$1,976,383
1913	625,103	32,343,486	32,894,071	1,770,972
1914	493,639	25,121,350	25,256,659	1,268,792
1915	363,708	28,973,944	29,771,943	1,271,416
1916	273,702	34,842,759	34,697,420	1,300,836
1917	188,523	36,884,718	35,886,552	1,454,154
1918	199,082	34,098,084	34,526,304	1,146,233
*1918	74,899	13,286,884	13,488,652	......
*1919	104,888	13,842,765	13,953,095	......

*First 5 mos. only.

New York Transit

The New York Transit Company operates a trunk line running from Olean, N. Y., to Unionville, N. Y., and in 1915 purchased the Standard Oil Company of New Jersey's line from Unionville to Bayonne, N. J. An offshoot to this line at Weehawken, N. J., runs under the Hudson and East rivers to Long Island City and Brooklyn, where the Standard Oil Company of New York's refineries are situated. This company's traffic in 1918 also reached the highest point on record due to the heavy demand for western oil for the Atlantic seaboard refineries. These refineries are not entirely dependent upon pipe lines and are in a position to obtain oil by tankships, but it is likely that the New York Transit system will be called upon to supply the principal needs of these plants for many years to come.

New York Transit's earnings have shown a radical decline since 1912 and last year's profits, after taxes, were almost as low as those of 1915, the low record. The 1918 net income of $914,294 was equal to $18.28 on the $5,000,000 capital stock. This compares with the current dividend rate of 16% but last year 22% was distributed. The present

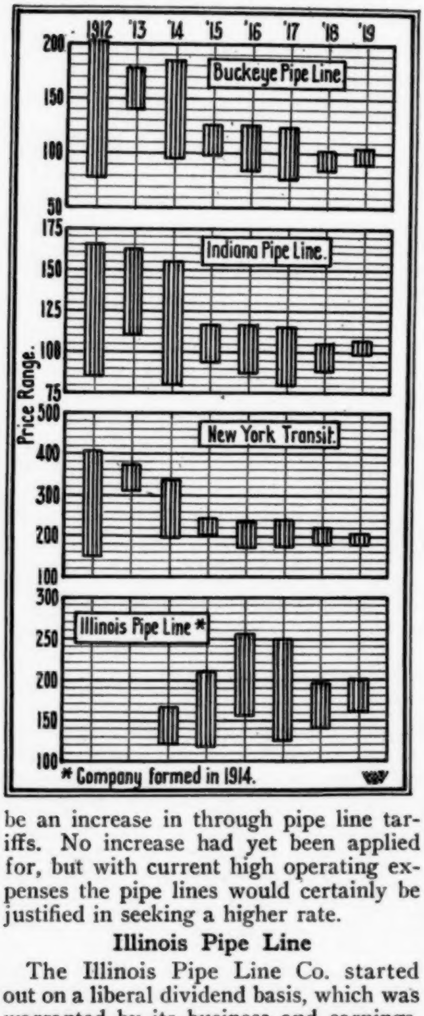
TABLE IV—NEW YORK TRANSIT'S TRAFFIC AND EARNINGS
(Since Dissolution)

	Runs from Wells Barrels	Other Receipts Barrels	Deliveries Barrels	Net Earnings
1912	182,291	14,450,160	15,134,912	$2,420,211
1913	197,109	14,762,156	15,443,721	2,070,495
1914	203,355	11,444,816	11,625,445	1,434,741
1915	185,469	11,054,733	11,069,067	813,729
1916	174,500	13,596,676	13,651,017	1,339,121
1917	168,012	14,483,532	14,974,092	1,461,618
1918	157,352	16,033,744	16,602,074	914,294
*1918	63,386	6,686,679	6,987,075	......
*1919	68,247	5,752,999	5,488,356	......

*First 5 mos. only.

rate appears to be fairly safe and another point in favor of this stock is its high book value, which at the close of 1918 amounted to $218 a share. Cash investments and accounts receivable amounted to over $6,000,000, compared with the capital stock of $5,000,000.

The one factor which would help this company more than anything else would be an increase in through pipe line tariffs. No increase had yet been applied for, but with current high operating expenses the pipe lines would certainly be justified in seeking a higher rate.



Illinois Pipe Line

The Illinois Pipe Line Co. started out on a liberal dividend basis, which was warranted by its business and earnings, but factors created principally by the war have reduced the company's traffic and profits and resulted in a corresponding lowering of dividends. In 1915 this company's runs of oil from the Illinois field, (its gathering line business) amounted to 14,045,285 barrels but by 1918 this business had decreased to 9,288,226 barrels, due to the falling output of the Illinois fields. Its receipts from other lines (Prairie Pipe Line) in 1916 reached almost 14,000,000 barrels, while last year they were only 750,000 barrels.

Deliveries which in 1916 were 29,000,000 barrels, fell off to 10,879,038 barrels in 1915. This reduction of traffic has been due principally to a reduction of deliveries from the Prairie Pipe Line Company running from the Mid-Continent field, to the Illinois system.

For the first five months of 1919, the Illinois Company's other receipts showed a healthy increase, amounting to 1,095,199 barrels against 365,570 in the corresponding period of 1918 and larger than the whole year's receipts in 1918. This would seem to indicate that under peace conditions the company is likely to receive a larger volume of trunk line business.

Another important factor in the Illinois Company's affairs is its position in the Wyoming fields. Within the past few years this company has been constructing all the new pipe lines in Wyoming and is now handling a substantial amount of oil in that state. This traffic does not play a very large part in the company's earnings at present as the oil is transported only short distances from field to railroad and refineries. If, however, the production of the Wyoming fields continues to increase, as appears very probable, it will eventually be necessary to build a trunk pipe line from that state to a connection with the lines running east. Such a line would probably be built by either Prairie Pipe Line or Illinois Pipe Line, but no definite decision has yet been made regarding this matter.

Until the first half of 1917, Illinois Pipe Line paid semi-annual dividends of $12 a share and for one semi-annual period distributed $15 a share. For the last half of 1918 only $6 a share was distributed but for the first half of 1919 the rate was increased to $8 a share. The 1918 earnings after heavy war taxes were equivalent to $17.27 a share. There seems to be a fair chance of increased earnings.

Prominent Wall Street Men That I Have Known

By J. ARTHUR JOSEPH

ONE of the most profitless experiences that I ever met with was in 1888, when Isidore Wormser stopped me on New Street, and asked, "How do you stand mit 'Chim' Bennett?" (James Gordon Bennett, proprietor of the New York *Herald.*)

I said, "How do you mean?" And he went on, "If I gave you a big piece of information, which nobody has yet, would Bennett pay you handsomely for it? Come up to my house tonight, and I shall tell you a great secret, and you shall print it in the *Herald* tomorrow, and send it to the Paris *Herald,* and vhatever he shall give you for dese exclusive informations you shall put in your own pocket, and I don't vant none of it, not a dollar—you keep it all for yourself.

I kept the appointment, and was told to go up to the second floor, where Mr Wormser would very soon join me. He came in a few moments later and again urged upon me the importance of the mission, and said, "Maybe Bennett vill pay you a tousand dollars." I was all anxiety. He then unfolded his story:

"You know Sol Ranger, the Cotton King?" he asked.

"Certainly," I said.

"Vell," said he, "his daughter, Florrie Ranger, is going to be engaged to my nephew, Maurice S. Wormser. Now, you make a big story about this, and print it in two or three columns of tomorrow's *Herald,* and send it to the Paris *Herald,* and after dat, publish it in de odder papers, and whatever they shall pay you shall belong to you."

I worked hard to get a notice in the *Herald,* and it was only through my friendship with Ashley W. Cole that I succeeded in getting the "important" message proclaimed to the wide, wide world. It appeared the following morning in the *Herald* in a paragraph of some twelve lines.

John H. Inman, of Inman & Swann, was as deaf as a door post. He met me after the market closed one afternoon, and as he stood outside of the old Johnson Building, shouted in a voice that could be heard as far as the Wall Street Ferry, "I want you to tell me ***in confidence*** what you think of Gould's deal?"

To have answered him in a voice that would have made any impression upon his oricular appendage would have been to have performed a miracle.

What he lacked in sense of hearing, however, was made up in perspicacity and mental acuteness. He unloaded his Tennessee Coal & Iron on Louis Bardeleben from $18 a share down. The stock went to 10 and caused Bardeleben's failure.

Then George Kessler took hold of Tennessee, Virginia & Georgia, buying it through Wassermann Bros., until his holdings amounted to tens of thousands of shares. When the stock got well above 125, John W. Gates and the Moore & Schley contingent became interested. In 1907 the late President Theodore Roosevelt permitted the United States Steel Corporation to take over the East Tennessee, Virginia & Georgia. If this deal had not been consummated, and the panic which was then brewing had burst, Moore & Schley would have gone to the wall.

The gentleman who was largely responsible for bringing about the happy result that was for that moment attained was George F. Baker of the First National Bank. He was the brother-in-law of Grant B. Schley. The final touch was given to the dramatic episode at J. Pierpont Morgan's house, Thirty-sixth street and Madison avenue, on a Sunday evening, and on Monday the then President of the United States permitted the consummation of the deal.

COMPARATIVE RATINGS OF OIL STOCKS

Based on the Earnings and Assets of the Companies, Dividend Prospects, Capitalization, Management, Etc.

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SECOND SERIES—THE NEW YORK STOCK EXCHANGE GROUP

Name	Par	Capital	Last Reported or Est'd Surplus	Approx. Annual Dividend	Approx. Price	3 Yr. Av. Low	3 Yr. Av. High	Net Rating	Remarks
Associated Oil	$100	Common $40,000,000	$ 9,600,000	$5	93	55	80	A	Net assets $129 a share. Controlled by Southern Pacific.
		Fund. debt. $10,477,000							
Am. Cotton Oil.......	100	Common $20,237,100		$4	63	30	60	B	
	100	Preferred $14,562,300		$6 n. c.	92	80	100	A	10-year. aver. earnings $16¼. Very sound investment.
		Fund. debt. $15,000,000							
Am. Linseed	100	Common $16,750,000	6,284,000	None	80	20	55	B	Remarkable improvement, but high enough.
	100	Preferred $16,750,000		$7 n. c.	97	65	95	A	10-yr. av. earnings $5½; latterly $12¾ a share
		Funded debt—None							
Cal. Petroleum	100	Common $12,343,000	4,000,000	None	32	15	25	C	Has good chance to "come back."
	100	Preferred $14,877,000		$7 Cum.	80	35	70	B	6-yr. average $11½ earned.
		Funded debt $1,538,000							
Caddo Oil & Refining	100	Common $10,000,000		None	45	30	40	B	Prospects seem good.
		Funded debt $2,230,500							
Col. Gas & Electric...	100	Common $50,000,000	2,138,968	$4	57	30	50	C	7-yr. av. earnings $2½ a share. Irregular record. Bonds a good business inv.
		Funded debt $16,591,500							
Mexican Petroleum ..	100	Common $12,000,000	21,125,000	$8	190	100	165	B	High intrinsic value but erratic marketwise.
	100	Preferred $39,342,000		$8 n. c.	107	90	105	A-1	Earning div. ten times. Gilt edge.
		Funded debt—None							
Ohio Cities Gas......	25	Common $45,937,500	47,379,366	$4	58	40	125	B	Has become a "leading independent."
	100	Preferred $9,000,000		$5¼ Cum.	82	Inactive		A-1	Very strongly secured.
		Funded debt $5,673,000						A-1	Excellent investment.

Oklahoma P. & R.....	5	Common $12,000,000 Funded debt—None	1,112,000	50c	11	6	10	C	Aggressive growing concern. Orig. capital $2,000,000.
Pan-Am. Petroleum ..	50	Common $30,500,000	5,000,000	$5	105	45	85	A	Controls Mex. Pet. and imp. subsidiaries.
	100	Preferred $10,500,000 Funded debt $5,950,000		$7 Cum.	160	90	125	A	Till 1936 convertible on basis 1 15/100 shares pfd. for 2 shares common.
Pierce Oil	25	Common $18,564,250	5,759,095	None	24	15	25	B	Interesting development; complete cycle.
		Preferred $15,000,000		$8 Cum.	New Issue				Investment issue.
		Fund. debt $13,786,699							Well secured investment.
Royal Dutch (American) (N. Y.)	13.15	Ord. shares $68,763,869		1919 5.36 No fixed Rate	113	70	145	A	Rivals old "Standard of N. J." Possibilities beyond reasonable estimation.
		Pref. shares $603,000		4% Cum.	Not quoted				Gilt edge.
		Prior. sh. $11,457,000		4½% Cum.	Not quoted				Gilt edge.
Sinclair Oil	No Par	Com. 1,000,000 shares		None	63	30	60	C	Shares too high.
		Fund. debt $21,364,500							Well fortified.
Southern Pacific Co...	100	Common $303,715,000	300,000,000	$6	107	85	105	A	Owns oil lands (in dispute). Estimated value $250,000,000 to $500,000,000. Controls Associated Oil, East Coast Oil Co., etc. Extraordinary possibilities.
		Fund. debt $564,000,000						A-1	Bonds high grade.
Texas Co.	100	Common $85,000,000	124,000,000	$10	272	135	250	A	One of the "Big Four" and leading independent.
		Fund. debt $16,000,000						A-1	Bonds well rated.
Tidewater Oil	100	Common $31,900,000 Funded debt—None	9,022,518	$8	240	175	250	A	10-yr. av. $12¾ earned. Now averaging $20. A staunch issue.

EXPLANATION OF RATINGS

The rating "A" places the security among the high-grades. "B" represents a business-man's investment, while "C" must be considered a specvestment for profit. Current price influences our opinion in some degree.

Market prices, estimated surplus, and dividends are approximate, but the information is taken from the best sources available.

Ratings in this group have been assigned upon the basis of a large number of factors, which are taken into consideration as we go to press. **Commitments should not be entered into solely upon the basis of ratings, which are merely intended to guide the investor as to the status of the particular securities discussed.**

The Limelight on Lima

Its Rise from 30 to 80—Is There "Something Doing?"—Current Earnings Large—Peculiar Position of its Preferred Issue

By B. L. GOODRICH

MAY 25, 1918, is almost ancient history in these moving times, and the writer takes no particular credit for having pointed out in that issue of THE MAGAZINE OF WALL STREET the possibilities for Lima Locomotive, then selling around 40-45. Those who keep the magazine on file will find in its history and development an interesting study of the third "largest and smallest" of this former Cinderella of the Equipments.

The extraordinary rise in Lima common from 30 to 82 within two short months, the urgent buying at apparently any price, evidenced by the absence of a single reaction throughout the advance, and the lack of publicity accompanying the movement, confirms the belief repeatedly expressed for over a year, that Lima has been not only misunderstood, but also undervalued. Is a market price between 75 and 80 a readjustment toward actual values?

The DuPonts of Delaware

Believing that the nub of the situation lay in the quality of the buying and selling of Lima, the writer made a careful survey of the position and did not hesitate to ask questions. A number of well-informed people are under the impression that a good deal of the stock sold recently has passed into the strong-boxes of "the DuPonts" and there is some circumstantial evidence to support this belief.

If they bought control in the open market, it is not surprising that as high as 82 was paid for some of their stock in view of the small floating supply and modest capitalization. According to latest available reports there were 43,500 shares of common stock and 28,650 preferred shares, both $100 par value, outstanding. The preferred stock does not seem to have participated to any great extent in the accumulation, consequently the effect of concentrated buying into the common caused a violent upward movement.

Such being the case, the common stock is strictly subject to the orders of the pilot, and it is almost impossible to judge his intentions. It may be said, however, that the stock has been bought for keeps until perhaps some one will obligingly offer very much more for it.

Imitating the Phoenix

If the Grecian fable of the Phœnix which arose from its ashes be untrue, the revamping of the Lima Locomotive Works and predecessor companies, which go back to 1872, is a true American story which is little less remarkable. Their rise from obscurity to prominence will be appreciated from a compilation of earnings in Table I.

TABLE I—LIMA LOCOMOTIVE & MACHINE CORPORATION

Approximate Net Earnings Applicable to Interest, After Depreciation Charges

1905	$184,135	1909	$110,939
1906	299,800	1910	322,208
1907	476,882	1911	257,500
1908	306,990	Average	280,000

LIMA LOCOMOTIVE CORPORATION—LIMA LOCOMOTIVE WORKS INCORPORATED

Approximate Net Earnings Applicable to Interest After Depreciation Charges

1912	Not reported	1915	$177,000
1913	Not reported	1917	746,597
1914	110,000	1918	2,299,642

Estimating the funded debt at $1,700,000, which in former years stood at $2,000,000, and taking into consideeration the sinking fund provision which calls for a minimum retirement of $50,000 annually, the annual interest charges of a little over $100,000 were earned well over twenty times last year, and nearly seven times in the preceding year.

No exact estimate is possible of current earnings, but it is reliably reported that they will make a better showing than

in the 1918 banner year of the company's history. How this compares with all former records when Lima was barely able to show something earned for its preferred and common stocks, is evident from the following table:

TABLE II—LIMA LOCOMOTIVE WORKS, INC.

Three-Year Record of Earnings, Common and Preferred Stocks

	Earnings Per Share Preferred	Common
1917 Actual	**$16.1**	**$7**
1918 Actual	**29.2**	**14.6**
1919 Estimated	**35**	**25**

Ready cash, and in fact easy finances is a very important factor to a company like Lima, which under the pressure of reconstruction demands will probably have to provide for an output of 1,000 engines yearly. The continental railroads of Belgium and France, with their ramifications into Switzerland and Holland, will call for capacity production for some time, and the Lima Company should get a goodly share of the business.

It might be added that the "Big Three" are commonly supposed to be working in harmony, which means that Lima enjoys the goodwill of the Baldwin and American Locomotive Companies. It is even said that an intimate working agreement between the three has been reached which will inure to their joint benefit. This would not be astonishing, since these three control the locomotive business of the United States.

Doubtless the usual merger rumors will be put into circulation when the time is propitious; they are already in the air, and their believers point to the action of their stocks to corroborate this assertion.

An Overlooked Preferred Issue

Although well over $50 a share has been "plowed back" into the common stock, nothing has been paid thereon in dividends. The directors would be entireiy justified in inaugurating a dividend of around $5, but it is my guess that they will not do so this year. A gross business of around $30,000,000 annually for a $9,000,000 concern (total of stocks and bonds) is a heavy undertaking, and the company can undoubtedly use its surplus earnings to better advantage.

The preferred stock, however, is in a different position. The $7 dividend is cumulative and the issue shares equally with the common in voting power. Inaugurated in October, 1917, the preferred dividend has been paid and earned regularly by a substantial margin. At a minimum estimate, the $200,000 required to meet this payment is being earned at least four times, and there is nothing in sight that endangers its prospects. The best feature, from the investment viewpoint, is the privilege of conversion which apparently has escaped general attention.

Redeemable at 107½ three years from date of issue, the preferred can be exchanged for the common on a parity basis, share for share. It, therefore, is a call on the prosperity on the company, while enjoying the security of a strong investment, an immediate dividend of 7 per cent., and an interchangeable value which has immediate good prospects with the common stock already near 80. The income return is 7.6% on a price of 92. This is very high considering the security, and it looks likely that retirement of the preferred stock at 107½ is highly probable at no distant date, which could be easily accomplished by a recapitalization of the company.

A Suggestion

There appears to be little use taking risks of adverse market development, by buying or holding the common stock after an advance from 30 to 80. Those who hold the common at a good profit might well switch into the preferred and still retain their investment interest, to say nothing of an immediate handsome return on the funds employed.

The preferred looks strong and attractive, regardless of what it might do in the present inactive narrow price range, but the market for this issue may broaden out and substantially higher quotations rule, for the reasons given.

The company's bonds are "gilt-edge." Its only available issue, the first sinking fund 6s of 1932, is a first mortgage on the entire property, and around 98 with a yield of over 6%, not many bonds can be found with a better record or stronger security.

The Protection of Profits

Some Good and Bad Points Noted in Popular Wall Street Sayings

By T. L. SEX SMITH

A NEWCOMER in Wall Street soon becomes familiar with a half dozen or so stock phrases which are supposed to contain, in tabliod, much trading wisdom. Cultivate the acquaintance of some of those old timers who have spent a large part of their active lifetime in the service of brokerage houses or in active trading on their own account, and you will find that each has his own favorite methods and pet platitudes as well as his own ideas of what the market should do under certain conditions. You might as well ask any one of them to keep away from the ticker for a week at a stretch as to hope to seriously interest him in any new idea pertaining to the difficult art of trading.

People who remain long at an occupation eventually arrive at a point where their ideas, to a certain extent, become fixed, and their viewpoints consequently narrowed. An open mind lets in the light, but a closed mind is hopeless.

What are some of the ideas commonly held by the rank and file of experienced traders and speculators? How much of fact and how much of fancy will a cold analysis of these ideas yield? In order that our minds may be kept open to all means of growth and enlightenment, we can very well take up several of the more popular expressions or rules so dear to the heart of the old-timer to see if there is really anything in them worth while.

Let us consider one which is most often heard: "Cut losses; let profits run." The wisdom of the advice contained in the first part of this saying is seldom questioned. It furnishes an ideal formula of trading logic. It supports the idea of the use of stop loss orders in trading, which is a means of insuring the active trader's capital against any extraordinary depletion from any one transaction.

While there are those who will argue against the policy of using stops as a protection against excessive loss, the writer is convinced, after long study unhampered by preconceived prejudices for or against their use, and reinforced by considerable actual trading experience, that a scientific employment of the stop loss principle is not only sound trading practice but absolutely essential to any continued trading success.

That stops against loss should be used in active trading will soon become evident to any one who trades. When to use stops and how is another matter about which a whole book might, with profit, be written.

Taking Profits a Difficult Matter

The second half of the axiom has to do with profits. Among successful traders there is a difference of opinion as to the method to use in dealing with the subject. One thing is certain, and that is that profits must be taken when they are to be had. How many times, indeed, have traders seen paper profits melt away and run into losses often substantial and sometimes disastrous.

Some help on this problem of letting profits run is obtained from another phrase popular to the Street: "Never let a profit run into a loss." There is true wisdom in this phrase, and it lends itself far more readily to practical application than does the advice to allow profits to run. But there is something, too, in the idea which aims at getting as large a profit out of a given trade as possible.

Assuming that a trader enters the market after arriving at the conclusion that a certain movement was about to begin, and having decided at the time of entry upon the amount of his trading capital he was willing to risk, and placed a stop accordingly, he can do very little for the time being, but await developments. If nothing occurs in the action of his particular stock, or in the market generally, to change his opinion as to the development of the expected movement, he must stand pat. Once the movement actually begins, however, and profit on paper appears, he is then in a position to make practical application of the principal of profit conservation.

A great deal depends upon the methods of the trader and in what he is aiming for. When he lays for the big broad swings he can be liberal, in the first place, in placing his original stop loss instructions. Consequently, he expects to make larger profits than does the more active in-and-out type of trader. The trader who would limit his losses to two points as a maximum (to be exceeded only on account of causes entirely out of the control of the operator) would be quite likely to bring his stop to his net cost figure as soon as his trade had gone two points net in his favor. Having thus insured himself, insofar as it was in his power to do so, against loss on the trade, he would then be in a position to treat the question of profit risk with some liberality.

At the same time, profits are profits, and it is a question, in the writers mind, whether in the final analysis of a trader's operations at the end of a year, any departure from the strict limitation of depreciation of capital (either in cash or potential capital represented by paper profits) would be found to be justified.

Some say that a loss need never be counted until taken, nor a profit for that matter. But at all times the trader has a definite cash equity in his account based upon prevailing quotations. No matter how good the character of his securities, if he were long and

his stocks stood twenty points against him, the cash value of his account would be that much depleted, although six months ago the same account might have shown twenty points of profit.

So, to get back to the active trader whose maximum loss limitation is two points, and who has already a two point net profit in sight, we believe that the best procedure would be to immediately raise the stop figure to a place which would insure one point of profit. In order to do this our trader, as a matter of policy, would have to trade only in active stocks which have a close market at all times, or nearly all times, on the Exchange. A one point reaction, if it were to follow immediately, would stop him out with one point net profit, whereas a two point reaction, if he were going by the "let profits run" rule, would stop him out even.

In the use of stops to conserve profits much should depend upon the character of the movement developing in the stock being used. Many stocks, too, have individual peculiarities of movement which are learned by experience.

Following an Advantage Closely

Assuming that the movement under consideration proceeded beyond two points of profit without any particularly strong resistance against the movement developing, our trader should again sit tight with his stop one point above the net entry figure. Some place in the movement resistance is certain to develop, and will be shown in the case of an active stock by a number of transactions around a certain fraction followed by a recession from the high point scored. If the movement had already continued for six points, a normal healthy reaction should go no farther than two points, or possibly a maximum of three. Therefore, our trader should at the very worst save for himself two and one-half points of profit out of the six-point movement.

Had the reaction stopped at the half-way point or above it, the next critical place in the advance would very likely develop around the high made in the first advancing movement. It is here that the contest between the buying and selling forces operating in the stock should result in a decision. If the buying forces were stronger they should be able to carry through the point of first resistance without backing away from it more than fractionally under the pressure of selling. If the offerings at this level were particularly heavy it is likely that the stock would be forced below the bottom of the first reaction, in which case it would be advisable to close the trade at once.

Our trader need not, however, wait for so much reaction the second time before insuring for himself a liberal profit. Better results would probably be had, as a rule, by bringing his stop up to not more than a point and a quarter below the first high point immediately after the same fractional figure was touched the second time. In fact, he would most likely be better off if he did not wait for the price to quite equal the first point of resistance, but to anticipate any failure to return to the original high by moving his stop up as soon as the first high was approached within a quarter or one-half point. By so doing he would insure a profit equal to more than half of the movement, even though the stock were subsequently to make a material reversal in its trend direction.

On the other hand, if the original trend direction was to be continued he would still have a good chance of keeping his trade open. Of course, there would always be the possibility that his stock would react just enough to catch his stop and then turn up again and go higher. But even so, he would have made a fair profit and would, at all times, have the satisfaction of feeling that he was operating conservatively.

It will be seen from this that *the principle of cutting losses, if properly applied, means not only to limit possible loss at the inception of a trade, but to conserve profits as they appear during the normal progress of a movement.* Yet, to allow profits to run is a vastly different problem, and is by no means the simple proposition it seems. Letting profits run may mean letting them run into losses, and that is no part of sensible or scientific trading.

THE FUNCTION OF THE MUTUAL SAVINGS BANK

In an address made by John J. Pulleyn, president of the Emigrant Industrial Savings Bank, New York City, on the accosion of the seventieth anniversary dinner of the Society for Savings in the City of Cleveland on June 24th, were several informing observations on the function of mutual savings banks.

"Many of the mutual savings banks have been in a state of abject lethargy, their business has been the routine business of the simple operation of the simplest banking function," he said. "Ordinarily, if the president of a mutual savings bank dies of old age, the oldest member of the board of trustees is made the president. To them it is simply a position of honor in compensation for the nominal service rendered, generally over a long period of years. Many savings banks have been making progress on a hobby horse, the kind of progress that simply wears out the carpet and makes no advancement.

"It is not the conservatism of the managers of savings bands that is to be commented upon, for that is commendable, but it is more the lack of abilit yto discriminate between conservatism in the investment of funds of depositors and the development of the institution to the point of adequately satisfying the financial wants of people of small means."

Difficulties of Canadian Finance

Unfavorable Exchange Rate with the U. S.—High Bond Yields Now Available

By our Toronto Correspondent

THE period of deflation which, it is held, must ensue in Canada sooner or later, and which, in fact, appears to be inevitable, shows little signs of appearing so far. Instead the ugly sister, inflation, is still very much in evidence, showing in the size of our national debt, which is over a billion and a half dollars, in the huge mass of money and bank credits which are being employed now to finance general business, the after-war programs of the federal government and the reconstruction efforts of our largest industries.

The rate of exchange running 3% and over against Canadian funds in New York is being felt as a hardship at this end when any business or banking transaction occurs with New York. The situation is regarded as most unfortunate, because this depreciation of Canadian currency is acting at the present time as a tangible physical barrier between free commercial intercourse of the two nations. And just now the situation is one which Canada is powerless to correct. We have no gold to ship, and it is doubtful if you attach the same importance to what gold we might might ship as has been the case in prior years under different conditions.

The appearance now is that considerable time must elapse before Canada can produce and sell enough goods in United States markets to bring our money back to parity. The superficially great success of the recent Canadian loan floated in New York, if it encourages the Provincial Governments of Canada and the various money-hungry municipalities to offer municipal bonds in the United States, will certainly not do anything to re-establish the sovereignty of the Canadian dollar, but will have an exactly opposite effect.

If it were not for the fact that our Dominion of Canada war loans were put out to the people exempt from all income tax imposed by the Parliament of Canada, it is probable that the seventy-five millions of dollars needed for payment of a former Canadian loan in New York could have been raised in Canada without difficulty. The last budget brought out by Sir Thomas White, Minister of Finance, showed that this country needs so very many millions to keep solvent that every available source must be tapped.

One inference is that Canada cannot afford to float another five hundred million dollar domestic loan free of income tax, because the effect is to render the greatest individual fortunes here exempt from income tax. The small people have not bothered to repurchase tax exempt war loans in any great volume, but the millionaires and large estates have bought so heavily of the tax exempt securities on the market that the price of the last 5½% loan has advanced to over seven points beyond par.

Blames Minister

Sir Thomas White has been bitterly assailed for not putting the straight patriotism of Canadians to a test, which he could have done by not introducing the tax exemption feature into any of our eight loans. The Minister is doubtless to be blamed, but he is not going to remain and assume this or any other onus, because his resignation, it is semi-officially announced, is now in the hands of Premier Borden. The writer was told by a very good authority a year since that Sir Thomas White was slated to become the president of the Canadian Bank of Commerce in succession to Sir Edmund Walker, who has held the post for many years, but is not as active as in his younger years. It looks now very much as if Sir Thomas would take the post mentioned.

If he does, it is interesting to note that when the Canadian Northern Railway faced insolvency several years since, it was partly through the efforts of Sir Thomas White that the first government loan of forty million dollars was made to the C. N. R. largely on the collateral of common stock of the road, and that the final acquisition of the C. N. R. by the Dominion Government and the payment by the government of some eleven million dollars for the Mackenzie-Mann holding of sixty million dollars common stock, par value, of C. N. R., enabled Sir William Mackenzie and Sir Donald Mann to clear away the indebtedness not only of the C. N. R. to the Canadian Bank of Commerce, but also aided them in cleaning up accounts of several score subsidiary companies. However, Sir Thomas White has worked astutely and unremittingly during the war, and, be it known, although he has gained celebrity and an outstanding place for himself, it has been at the expense of his own private means very largely.

Ames Holden Tire

One of the most interesting flotations here is the offering of one million dollars 7% 20 year first mortgage sinking fund gold bonds of Ames Holden Tire Company, the price being par, together with a bonus of 25% common stock to the purchaser. This is the first occasion within memory, of recent years, that any first class corporation has brought out a first mortgage bond to give a 7% yield. The offering indicates also that Canada will step more vigorously into the motor and rubber field than formerly and will step out as producer of tires and motors rather than remain a mere user and assembler.

IMPORTANT DIVIDEND ANNOUNCEMENTS

To Obtain a Dividend Directly from a Company the Stock Must Be Transferred Into the Owner's Name Before the Date of the Closing of the Company's Books

Ann. Rate	Name	Amount Declared	Paid to Holders as of	Payable
	A			
$3	Am Gas & Elec, p	75c	Q July 15	Aug. 1
....	Am Gas & Elec, c ext.	e2½%	June 20	Oct. 1
5%	Am Ice, p	1¼%	Q July 15	July 25
....	Amer Ice, p ext.	1 %	Oct. 15	Oct. 25
7%	Amer Linseed, p	1¾%	Q Sept. 15	Oct. 1
7%	Amer Locomotive, p	1¾%	Q July 3	July 22
7%	Am Sumatra Tob, p	3½%	S Aug. 15	Sept. 1
$4	Anaconda Copper	$1	Q July 19	Aug. 25
....	Anglo-Amer Oil	71¼c.		July 16
10%	Atch, Top & S Fe, p	2½%	S June 30	Aug. 1
6%	Atch, Top & San Fe, c	1½%	Q July 31	Sept. 2
5%	Atl, Gulf & W I S S, p.	1¼%	Q Sept. 10	Oct. 1
$10	Atl, Gulf & W I S S, c.	$5	S June 30	Aug. 1
	B			
4%	Balt & Ohio, p	ss2 %	S July 19	Sept. 2
8%	Beth Steel, 8% p	2 %	Q Sept. 15	Oct. 1
7%	Beth Steel, 7% p	1¾%	Q Sept. 15	Oct. 1
7%	Brown Shoe, p	1¾%	Q July 19	Aug. 1
	C			
5%	Central Leather, c	1¼%	Q July 10	Aug. 1
8%	Central R R of N J	2 %	Q July 18	Aug. 1
4%	Chic, Ind & Louisv, p	2 %	S July 7	July 17
6%	Chic Pneumatic Tool	1½%	Q July 15	July 25
7%	Chic, R I & &Pac, 7% p.	3½	S Dec. 13	Dec. 31
6%	Chic, R I & Pac 6% p.	3 %	S Dec. 13	Dec. 31
5%	Cinc, N O & T P, p	1¼%	Q Aug. 23	Sept. 2
6%	Cities Service, p	½%	M July 15	Aug. 1
6%	Cities Service, c	½%	M July 15	Aug. 1
....	Cities Service, c ext.	e1 %	July 15	Aug. 1
5%	C, C, C & St L, p	1¼%	Q July 1	July 21
8%	Commonwealth Edison	2 %	Q July 15	Aug. 1
10%	Cosden & Co, c	2½%	Q July 7	Aug. 1
6%	Cramp (Wm.) & Sons	3 %	S July 21	Aug. 1
6%	Crucible Steel, c	a1½%	Q July 15	July 31
	D			
$10	Del, Lack & West R R.	$2.50	Q July 5	July 21
6%	duP deN & Co, deb stk.	1½%	Q July 10	July 25
5%	duP deN Powder, p	1¼%	Q July 19	Aug. 1
6%	duP deN Powder, c	1½%	Q July 19	Aug. 1
	E			
10%	Eastern Steel, c	2½%	Q July 1	July 15
12%	Edison Elec Illu of Bos.	3 %	Q July 15	Aug. 1
$16	Eureka Pipe Line	$4	Q July 15	Aug. 1
	F			
7%	Fisher Body, p	1¾%	Q July 21	Aug. 1
	G			
8%	General Electric	2 %	Q June 7	July 15
....	General Electric, ext.	x2 %	Q June 7	July 15
6%	General Motors, p	1½%	Q July 7	Aug. 1
12%	General Motors, c	3 %	Q July 7	Aug. 1
6%	Gen'l Motors, deb stk.	1½%	Q July 7	Aug. 1
7%	Great Northern Ry, p	1¾%	Q July 1	Aug. 1
7%	Gulf States Steel, 1st p.	1¾%	Q Sept. 15	Oct. 1
7%	Gulf States Steel, 1st p.	1¾%	Q Dec. 15	Jan. 2
6%	Gulf States Steel, 2d p.	1½%	Q Sept. 15	Oct. 1
6%	Gulf States Steel, 2d p.	1½%	Q Dec. 15	Jan. 2
	H			
7%	Holly Sugar Corp, p	1¾%	Q July 15	Aug. 1
	I			
$8	Indiana Pipe Line	$2	Q July 18	Aug. 15
$6	Inspiration Con Copper.	$1.50	Q July 11	July 28
5%	Int'l Agric Corp, p	1¼%	Q June 30	July 15
$6	Internat'l Harvester, c.	$1.50	Q June 25	July 15
6%	Int'l Merc Marine, p	3 %	S July 15	Aug. 1
6%	Internat'l Nickel, p	1½%	Q July 16	Aug. 1
6%	Int'l Paper, p	1½%	Q July 7	July 15
	J			
$2	Jones Bros Tea, c	50c	Q July 8	July 15
	K			
4%	Kan City South Ry, p.	ss1 %	Q June 30	July 15
7%	Kayser (Jul), 1st p	1¾%	Q July 21	Aug. 1
7%	Kayser (Jul), 2nd p	1¾%	Q July 21	Aug. 1
$4	Kelly-Springf, c	$1	Q July 17	Aug. 1
....	Kelly-Springf T, c ext.	e75c	July 17	Aug. 1
4%	Kress, S H, c	1 %	Q July 19	Aug. 1
	L			
7%	Louisville & Nashville	3½%	S July 21	Aug. 11
	M			
7%	Mass Gas, c	1¾%	Q July 15	Aug. 1
7%	May Dept Stores, p	1¾%	Q Sept. 15	Oct. 1
6%	May Dept Stores, c	1½%	Q Aug. 15	Sept. 1
$2	Miami Copper	50c	Q Aug. 1	Aug. 15
4%	Mich Cent	2 %	S June 30	July 29
$4	Midvale Steel & Ord	$1	Q July 15	Aug. 1
$4	Midwest Refining	$1	Q July 15	Aug. 1
....	Midwest Refining, ext.	50c	July 15	Aug. 1
$4	Mohawk Mining	$1	Q July 12	Aug. 1
	N			
7%	National Biscuit, c	1¾%	Q June 30	July 15
8%	National Carbon, p	2 %	Q July 21	Aug. 1
$4	National Carbon, c	$1	Q July 21	Aug. 1
5%	Nat'l Cloak & Suit, c	1¼%	Q July 8	July 15
7%	Nat'l Enam & Stamp, p	1¾%	Q Sept. 10	Sept. 30
6%	Nat'l Enam & Stamp, c	1½%	Q Aug. 11	Aug. 30
....	Nat'l Lead, c ext.	tt½%	Nov. 8	Nov. 15
16%	New Jersey Zinc	4 %	Q July 31	Aug. 9
....	New Jersey Zinc, ext.	2 %	July 31	Aug. 9
5%	New York Central	ss1¼%	Q July 9	Aug. 1
5%	N Y, Chic & St L, 2d p.	2½%	S July 11	July 22
5%	New York Dock, p	2½%	S July 5	July 15
$16	New York Transit	$4	Q June 21	July 15
7%	Niagara Falls Power, p.	1¾%	Q June 30	July 15
....	Nipissing Mines	25c	Q June 30	July 21
4%	Norfolk & Western, p	1 %	Q July 31	Aug. 19
7%	Norfolk & Western, c	1¾%	Q Aug. 30	Sept. 19
$4	Northern Central	$2	S June 30	July 15
7%	Northern Pacific	1¾%	Q July 3	Aug. 1
7%	Northern States Pow, p.	1¾%	Q June 30	July 21
	P			
5%	Pere Marquette, prior p.	ss1¼%	Q July 19	Aug. 1
$3	Phila Co, c	75c	Q July 1	July 31
4%	Pitts C C & St L	2 %	S July 15	July 25
5%	Pitts Coal (N J), p	1¼%	Q July 10	July 25
6%	Pittsburgh Coal (Pa), p.	1½%	Q July 10	July 25
5%	Pittsburgh Coal (Pa), c.	1¼%	Q July 10	July 25
6%	Pitts & West Va, p	1½%	Q Aug. 14	Aug. 30
$12	Prairie Oil & Gas	$3	Q June 30	July 31
....	Prairie Oil & Gas, ext.	$2	June 30	July 31
12%	Prairie Pipe Line	3 %	Q June 30	July 31
20%	Procter & Gamble, p	2 %	Q July 23	Aug. 15
20%	Procter & Gamble, p	2 %	Q July 23	Aug. 15
6%	Public Serv of No Ill, p.	1½%	Q July 15	Aug. 1
7%	Public Serv of No Ill, c.	1¾%	Q July 15	Aug. 1
	R			
$2	Reading Co, 1st p	50c	Q Aug. 26	Sept. 11
$4	Reading Co, c	$1	Q July 24	Aug. 14
6%	Republic Ir & Steel, c.	1½%	Q July 16	Aug. 1
	S			
$1	Shattuck-Arizona	dd25c	Q June 30	July 19
7%	Steel Co of Can, p	1¾%	Q July 10	Aug. 1
6%	Steel Co of Can, c	1½%	Q July 10	Aug. 1
$8	Superior Steel, 1st p	$2	Q Aug 1	Aug. 15
$8	Superior Steel, 2nd p	$2	Q Aug. 1	Aug. 15
$3	Superior Steel, c	75c	Q July 15	Aug. 1
	T			
$5	Transue & Williams	$1.25	Q July 7	July 20
	U			
7%	Underwood Type, p	1¾%	Q Sept. 5	Oct. 1
4%	Underwood Type, c	2 %	Q Sept. 5	Oct. 1
7%	United Drug, 1st p	1¾%	Q July 15	Aug. 1
6%	United Drug, 2nd p	1½%	Q Aug. 15	Sept. 1
7%	United Dyewood Corp, p	1¾%	Q Sept. 13	Oct. 1
6%	United Paperboard, p	1½%	Q July 1	July 15
8%	U S Rubber, 1st p	2 %	Q July 15	July 31
6%	U S Rubber, 2nd p	1½%	Q July 15	July 31
	V			
4%	Va Caro Chem, c	1 %	Q July 15	Aug. 1
....	Va Caro Chem, c ext.	2 %	Sept. 16	Oct. 1
....	Va Iron, Coal & Coke	3 %	June 25	July 25
6%	Virginia Ry & Pow, p	3 %	S	July 20
	W			
$7	Westinghouse Air Brake	$1.75	Q July 3	July 31
$4	Westingh Elec & Mfg, c.	$1	Q June 30	July 31
$1	Willys-Overland, c	25c	Q July 21	Aug. 1
5%	Wilson & Co, c	1¼%	Q July 21	Aug. 1
	Y			
$2.50	York Rys	62½c	Q July 21	July 31

x—Declared payable in stock.
xx—Payable in Liberty Bonds.
tt—For purpose of United War Work Campaign.
ss—Subject to approval of Director General of Railroads.
ff—Initial Dividend.
dd—Capital distribution.
m—On account of accumulated dividends.
ext—Extra dividend.
e—Payable in common stock.

Financial News and Comment

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.—Editor.

RAILROADS

Big Four Bond Issue Approved

The P. U. Commission has granted the application of the company to issue $10,134,423 of the proposed $20,000,000 bond issue, to run ten years. The bonds will draw 6% interest and are to be sold at not under 95.

Denver & Rio Grande Pays Interest

The road, through the receiver, announces that funds have been deposited for the payment of interest due June 1 on the railroad's improvement mortgage bonds and for the interest due July 1 on the Rio Grande Western Ry. first trust gold bonds and the Denver & Rio Grande first consolidated mortgage gold bonds.

Detroit, Grand Haven & Milwaukee Ry.

Announced June 20, 1919, that Watling, Lerchen & Co., Detroit, were offering at par and interest, to yield 6.70%, $150,000 extended equipment first mtge. 6% gold bonds, dated Nov. 14, 1878. Payable at 101 and int. Nov. 14, 1920. Int. payable in New York or London. Denom. $1,000. Guaranteed by endorsement by the Grand Trunk Ry. Co. of Canada.

New York Central Bonds Sold

Guaranty Trust Co., N. Y., and Kidder, Peabody & Co., N. Y., &c., have sold at 100 and int., yielding 6% a block of $2,000,000 6% convertible gold debenture bonds of 1915, due May 1. 1935. Interest March and November. Convertible into capital stock at 105 at any time prior to May 1, 1925.

New York, Chicago & St. Louis Pfd. Dividend

Announcement was made July 8, 1919, that the company had declared a dividend of $2.50 a share on the second preferred stock, payable July 22 to stock of record July 11. This is the first payment on the issue since Jan., 1918.

Southern Ry. Earnings and Rental

The company remains one of the few large systems earning its certified standard return. For the year ended May 31, 1919, the company reported net railway operating income of $19,604,061, against an average during the three-year test period of $18,728,537. This is a large decrease from 1918, for which the road reported net railway operating income of $29,291,870, and the loss of $9,678,809 in five months foreshadows the time when the company will join the long list of "debtor" roads.

The company has no contract with the R. R. Administration and will not issue its annual report for 1918 until such a contract is made.

The company is seeking additional compensation sufficient to bring its rental to $23,499,935, against certified standard return of $18,728,537.

Texas & Pacific Ry. Report

The company reports for the year ended Dec. 31, 1918, net income of $1,681,571, after fixed charges and taxes.

The income accounts follows:

U. S. Govt. stand. return, $4,107,432; Other income, $442,106; Total income, $4,549,538. Loss in operation, $275,124; Gross income, $4,274,414. Interest, rents, etc., $2,592,843; Net income. $1,681,571. Additions and betterments, $1,437,285; Maturing obligations $217,576; P. & L. surplus, $26,710.

Georgia & Florida R. R.

W. H. Cooper, a Washington banker, before the Senate Banking Committee in opposition to confirmation of the nomination of J. S. Williams to be Comptroller of the Currency, charged that this road, of which Mr. Williams' brother is receiver, has a deficit of $513,000 a year, but the R. R. Administration has a contract to pay it $88,000 a year net profit.

Mr. Cooper alleged that Comptroller Williams, as financial adviser to the R. R. Administration, permitted the contract to be signed.

Comptroller Williams said he had no part in approval of the contract with the road. He also said the earnings of the road had been practically those allowed by the R. R. Administration.

Mr. Williams admitted that he held $4,000 stock of the railroad, and had formerly been its president, but declared he had retired from all corporate interest.

Great Northern Ry. Income Drops

The annual report of the company for the year ended Dec. 31, 1918, shows net income of $20,063,269, equivalent to $8.04 a share on the $249,477,150 stock. In 1917 net income was $9.23 a share.

The corporate income account of the company for the year ended Dec. 31, 1918, shows:

Federal compensation, $28,686,972; Other income, $1.071,527; Total income, $29,758,499. Interest, taxes, rent, etc., $9,695,230; Net income, $20,063,269. Dividends, $17,462,842; Sinking funds, eetc., $51,101; Inveest. in phys. prop., $589,482; Surplus, $1,959,844.

Illinois Central Settling Electrification Dispute

Settlement of 12 of the 17 points in dispute in the company's electrification ordinance, by members of the council committee and officials of the road has been reached. The principal points in dispute are the perpetual franchise for Kensington and Eastern, elevation of roads of the south Chicago branch, and the proposed 12th Street subway. Regional Director Markham, speaking as head of Illinois Central, said he would not advise the directors to elevate South Chicago tracks because it will cost $4,000,000 while already the road will be required to spend $30,000,000 in the next seven years, and $50,000,000 in fifteen years more.

INDUSTRIALS

American Beet Sugar Sells Carry-over

The company has sold since close of fiscal year, March 31, 1919, 210,000 bags of sugar, or half of its carry-over of 410,039 bags. It is expected the remaining 200,000 bags will be disposed of before the next campaign starts.

This sale has released considerable cash to the company, estimated at $1,850,000, most of which has been applied in reduction of bank loans, which stood at $3,285,000 on March 31, 1919. As a result bank loans are now only $1,600,000. Sale of sugar now on hand will enable the company to liquidate the remainder of its borrowings.

American Bosch Magneto Heavy Sales

The company expects to ship over 18,000 magnetos in July. The first shipment on the large order recently obtained from Fairbanks-Morse was made July 1 of 500 magnetos; 3,000 more will be shipped before July 15 and 3,250 in the last half of the month, on the Fairbanks-Morse order.

The company has just closed the largest order for high tension magnetos ever booked in the trade.

The contract calls for 200,000 magnetos aggregating $2,000,000, equivalent to 40% of a normal turnover for a year. Deliveries on the new order start in 30 days.

American Car & Foundry Adds to Reserve

Pres. Woodin, in his annual report, said:

"There has been added $2,400,000 to reserve for dividends on common stock, to be paid when and as declared, making $7,200,000, or three years' dividends at 8%.

"Included in materials on hand, is the large amount assembled for the completion of the equipment we have under construction for the Railroad Administration. It will be noted there is carried a separate liability item of $13,195,169, representing moneys advanced by the Administration for material for cars not delivered.

"The company entered upon its new year with $100,000,000 of business on its books."

American Hide & Leather Will Pay Back Dividends

Plans under consideration by the directors of the company for refunding the 115% accumulation on the pref. stock will be abandoned. Instead the arrearage will be gradually liquidated by extra payments from time to time.

The company's bonded indebtedness will be entirely wiped out by Sept. 1. It is planned to apply the $660,000 annual appropriation hitherto required for the sinking fund to pay off back dividends. This equals 5% on the $13,000,000 preferred stock. With the 7% regular dividend, this would make the dividends 12% annually.

American Linseed Co. Limits Exports

Domestic demands for the product of the linseed crushers have brought to a halt the new export business just opening up. The rush of orders for home consumption has caused the company to put a limit on the quantity despite the latest increase of 7 cents a gallon in the price. July and October delivery are now quoted at $1.95 in car lots. Some of the crushers are unable to make delivery before August, while many of them declare they cannot do anything until Sept. or Oct.

American Steel Foundries to Issue Pfd.

A syndicate of New York, Boston and Chicago bankers is being organized to under-

write the preferred stock of the company, which will be exchanged for the controlling interest in the Griffin Wheel Co.

Stockholders of the company who recently approved issuance of $25,000,000 new 7% pref. stock, have approved an amendment providing that no mortgage may be placed on the company's controlled companies property without consent of preferred holders.

American Writing Paper Co. Improving

During the first half of 1919 the company was earning fixed charges by a slight margin.

In the early part of 1919, operations were down to 35% of capacity. Since then improvement has been shown and the company is now running from 55% to 60% of capacity.

Baldwin Locomotive Planning Exports

Directors of the company are making provision for obtaining and handling its share of the foreign locomotive trade. A foreign sales department has been set up recently to direct the handling for foreign inquiries and orders, and existing foreign agencies are being augmented by new offices to be opened in the near future.

In July an office will be opened in Madrid, Spain. In August, Col. Crawford will open a Brazilian branch and in Sept. W. R. Lee will open the Argentina branch.

Central Foundry Plans Merger

Shareholders of this company will be permitted to exchange their holdings for stock in the new Iron Products Corporation (formed to control also the Essex Foundry Co.) as follows: (a) first preferred stock, share for share for the preferred stock of the Iron Products Co.; (b) ordinary preferred stock, share for share for the common stock of the Iron Products Corp. and the common stock, one-half share of Iron Products common for each share of stock now held.

If all of the preferred and common stock is exchanged there will be about $1,650,000 Iron Products Co. preferred stock and 90,000 shares of common stock outstanding. Of these amounts approximately $475,000 preferred stock will represent stock exchanged for the Central Foundry preferred, about $200,000 for the Essex stocks and $1,000,000 which has been sold to bankers to provide funds for working capital.

Chander Motor Car Co.

The company last week turned out 627 cars, a new high production record. This is at the rate of 30,000 per annum.

Allowing a profit per car of $200 estimated profit sare placed at $5,000,000 or $70 a share upo nthe outstanding 70,000 shares.

As in November, 1918, Chandler was turning out but 65 cars a week, the come-back to 627 cars illustrates the strength of the motor car industry.

Cuba Cane Expects Goethals Report

An interest in the corporation says General Goethals' report will be ready soon, and intimates it will be favorable.

Credit of the corporation has improved so that borrowings against sugar this season have been made at lower rates than previously.

The "Wall Street Journal," July 2, 1919, stated that all of the corporation's centrals have completed their crop, except one still grinding. Final output will be 4,300 bags.

Cuban-American Sugar Operations

The company to date has manufactured 1,725,000 bags of sugar, compared with 1,500,000 bags at this time in 1918. Last year's total production was 1,724,750 bags. About 1,100,000 bags have been shipped. This leaves the company with 625,000 bags against 360,000 bags last year this time. The company has on hand $11,000,000 of sugar remaining to be shipped.

Fisher Body Corp.

The annual report of the corporation for the year ended April 30, 1919, shows surplus after charges, taxes and pref. dividends of $1,298,750 equal to $6.49 a share on the 200,000 shares of common stock of no par. In the previous year surplus amounted to $12.64 a share.

The income account of the corporation and subsidiaries for the year ended April 30, 1919, compares.

Net earnings—1919, †$3,534,853; 1918, $4,352,078. Interest—1919, $306,564; 1918, $203,111. Taxes—1919, $1,625,000; 1918, $1,294,485. Surplus—1919, $1,603,289; 1918, $2,854,482.

Pfd. divids.—1919, $304,539; 1918, $326,305. Balance—1919, $1,298,750; 1918, $2,528,177.
†After all expenses, depreciation, etc.

Falls Motors Corp. Scrip Payment

The outstanding scrip has been declared payable on Sept. 2, 1919, and consists of the amount covered from the period of July 1, 1917, to March 31, 1918, inclusive. The dividend from March to July, 1918, was paid in cash. An additional dividend of 1¾% on the preferred stock has been declared to all stockholders of record as of June 30, 1919, covering the period from July 1, 1918, to Oct. 1, 1918, and is payable Oct. 1, 1919.

Gillette Safety Razor Co.'s Output

Company officials figure that by the end of 1919 there will have been sold 15,000,000 Gillette razors. Assuming that one-third will have been broken or discarded, there will be 10,000,000 in use. It is stated that 2½ dozen blades a year is a conservative average use, which would indicate an absorption of 25,000,000 dozen blades a year with this number of razors in use. Razor output for the year will be 3,000,000. This indicated production is three times the output of 1917, when the company earned before taxes $24 a share on the stock. The year 1918 did not reflect the company's normal earning power, as a large part of the deliveries were to the government at low prices.

Jordan Motor Car Co. New Preferred Issue

About 5,500 shares of preferred stock of the reorganized company will be offered by a syndicate of local brokers. The offering is being made on the basis of one share of 7% cumulative preferred with 20% bonus of no par common stock.

The company, organized in Delaware, has a capital of $1,200,000 of preferred stock and 12,000 shares of no par common.

This issue is to provide additional working capital, which includes erection of a new plant adjoining the present one at Cleveland.

According to Secretary Zens, the new plant will be completed July 15. "With the new plant in operation, output will be increased from 10 to 30 cars a day, thus bringing 1919 production to 7,500 cars."

National Portland Cement Co. Stock Increase

Owing to the unanimity of stockholders of the company in depositing their stock under the plan of 1918 to organize under Delaware laws the company advises shareholders it is unnecessary to make use of the new company thus saving franchise and other taxes, State and Federal, as well as permanently added cost of overhead due to keeping alive two companies. The only change in the plan will be to retain the same par, $10, of common shares, instead of issuing no par shares, thus saving in Federal taxes.

A special meeting of stockholders has been called July 18 to increase the stock from $4,500,000 to $6,750,000 divided into 50,000 shares of 6% non-cumulative preferred, par $50, and 407,000 common shares, par $10.

New England Savold Organized

Announcement of the organization of the company with $4,000,000 capital, par $25, all outstanding, was made.

W. T. Richardson was elected president; S. T. Gano, vice-president and secretary, and R. J. Richardson, treasurer. Directors are C. I. Campbell, F. L. McGowan, W. T. Richardson, S. T. Gano and R. J. Richardson

Perfection Tire & Rubber Co. Expands

Arrangements have been perfected by the company for expansion of its plant at Fort Madison to permit an output of 11,800 tires and 11,800 tubes daily. The increase was necessary because of the expansion of its Perfection brand product and for the requirements of the Keystone Tire and Rubber Co.

Standard Chemical Co. Surplus

Greatly increased profits from operations of the company and its subsidiaries are shown by the annual report for the year ending Dec. 31, 1918. The operating profits, before interest, depreciations, etc., were $846,702, against $563,123 in 1917. From this has been deducted $240,035 for interest and depreciation; $297,011 was reserved against wood inventory, and for amortization of acetone

plants; $18,924 was deducted for income tax, while a 3½% dividend on preferred stock, of $126,094, was paid. The balance carried forward was $311,577, compared with $154,402 the previous year.

Steel & Tube Co. Merger Plans

Plans for the consolidation of several steel and iron companies into a $100,000,000 corporation, to be called the Steel & Tube Company of America, Inc., are now being formed by bankers. None of the details was given out except naming the Steel & Tube Co., a corporation with $25,000,000 authorized capital; the Northwestern Iron Co., and the Newport Mining Co. as the concerns to figure in the merger.

The present Steel & Tube Co. was formed in 1918 in a merger of the Mark Mfg. Co. and the Iroquois Iron Co. It is understood the company includes interests identified with the Semet-Solvay Co., Pickands, Mather & Co., and other metal and mining concerns. Large tube works are owned at Evanston and Zanesville, and blast furnaces at Chicago.

The company had of recent date outstanding bonds and notes aggregating about $17,000,000. The surplus was $7,952,000. Earnings for the last fiscal year were estimated by the company early in the year to be $6,000,000, after interest and taxes on the 1917 basis. Clayton Mark is Chairman of the Board of Directors and A. A. Schlesinger is President.

United Retail Stores Corp. Present Status

George J. Whelan, James B. Duke and their associates have initially paid in $70 per share in cash for the first 50,000 shares of the new company. The capital is to be expanded by the issue of two shares for each of the 270,000 share sof United Cigar Sstores stock and possibly later the holders of $4,500,000 United Cigar Stores 7% preferred stock will be glad to exchange for Retail Stores share for share. The new stock will have no par value. There will also be issued founders' stock to take the place of the present bonus plan in operation in the management of United Cigar Stores.

Aetna Readjustment Plan

J. & W. Seligman & Co., readjustment managers, under the plan of readjustment of the company, as amended June 10, with the approval of Judge Mayer, announced that 90% of the outstanding bonds and 70% of the outstanding preferred stock have been deposited sufficient to carry out the plan.

American Fruit Growers, Inc., Organized

Announcement of the organization of the company, a $125,000,000 corporation for fruit growing and distribution, was made at Washington, D. C., with the resignation of C. J. Brand, chief of the bureau of markets, who becomes head of the new concern.

The company has bought fruit growing properties in Wenatchee and Yakima valleys of Washington, the Corona citrus belt and the Lodi grape district of California, the apple regions of the Appalachians in southern Illinois, peach regions of Arkansas and some of the citrus sections of Florida. Others are to be acquired.

Clinton-Wright Wire Co. Officers and Directors

G. L. Wright will head the newly organized company as chairman of the board. The other officers will be: E. F. Jones, president; J A. Denholm, vice-president; G. F. Wright, vice-president. The board of directors will be: F. A. Drury, president Merchants' National Bank, Worcester; P. B. Morgan, president Morgan Construction Co.; C. F. Fairbanks; Harry Bronner, president Missouri Pacific R. R.; R. B. Young, E. H. Rollins & Sons; G. F. Naphen, Liggett & Drexel, New York.

duPont (E. I.) deNemours & Co. to Sell Five Towns

Five complete towns, including Hopewell, Va.; Carney's Point, N. J.; Haskell, N. J.; and two smaller communities, all of them set up by the company during the war to house the thousands of workers employed at their ammunition factories, are to go under the hammer. Factory buildings, railroad terminals, Y. M. C. A.s, street car lines, dwelling houses, theatres, hotels, garages, automobiles, city halls and tugboats are to be sold by the company in the next three years to the highest bidders.

The company is hopeful of disposing of the factory plants to new industries willing to set up operation at these towns in order to keep the communities from being wiped off the map.

East Coast Fisheries Co. to Double Fleet

Company, whose steam trawlers have been bringing cod, haddock and halibut from the north Atlantic fishing banks to this city, announced it has closed contracts for five new steam trawlers, thus doubling the fleet.

The present company fleet has gone to the Great Banks, where the trawlers will remain for three or four weeks. Each vessel is expected to return to Gloucester with 650,000 lbs. of salted cod.

According to report a heavy demand is coming from European countries for American salt codfish, England, in particular, being anxious to get hold of a big supply. At the company's office it was said the company feels bound to sell as much of its supplies as needed in this country before looking for customers abroad.

Gaston, Williams & Wigmore

The annual report of the company for the year ended April 30, 1919, shows net income after taxes and charges, equal to $4.20 a share on the 300,000 shares of no par compared with $4.32 a share in the previous year.

The consolidated income account of the company, the Gaston, Williams & Wigmore Steamship Corp., and Gaston, Williams & Wigmore of Canada, Ltd., for the year ended April 30, 1919, compares:

Net inc. avail.—1919, $1,262,402; 1918, $1,298,487. Divs. declared—1919, $1,050,000; 1918, $1,275,000. Balance—1919, $212,402; 1918, $23,487. Prev. sur.—1919, $1,408,536; 1918, $1,408,931. P. & L. sur.—1919, $1,620,938; 1918, $1,432,418.

General Motors Earnings

It was stated that the earnings for the six months to June 30, 1919, will exceed $45,000,000, based on estimates.

Cash Position, June 14, 1919, was as follows:

Cash on hand and in bank, $74,567,449; Sight drafts attached to bills of lading, $7,430,208; Liberty Bonds, $23,242,025; Total, $105,239,682.

General Cigar Stock Increase

The stockholders of the company have authorized an increase in capital from $25,000,000 to $35,000,000, to be made by issuance of 50,000 additional shares of the common, par $100 and 50,000 shares of 7% debenture preferred, par $100.

Common and preferred holders after July 14, and up to July 31, may subscribe for so much of the new preferred as shall equal 20% of the amount of preferred and common stock outstanding in July. The price will be par and accrued interest.

The funds from the sale of the new stock will be used to expand working capital. The directors feel the business will grow larger and are preparing to handle it. For the first 5 months of 1919 net earnings after estimated taxes and officers' profit sharing were at annual rate of 11% on the common.

Officials believe by this it will be possible to materially increase dividends on the common shares.

Goodyear Merger Announced

An important industrial announcement in Los Angeles came when details of the organization of the company of California and the Pacific Cotton Mills Co. were made known. All the preliminary details have been definitely settled. Incorporation papers will be filed soon. Directors and officers will be announced later.

The company is capitalized at $20,000,000, and the cotton mills company at $5,000,000. Ascot Park, and adjoining land aggregating 480 acres has been purchased as the site of the plant, work upon which will begin soon and will be completed and in operation in a year.

The company will spend $4,000,000 on the rubber manufacturing plant and $1,500,000 on the cotton mills.

Keystone Tire Stock Increase

The shareholders authorized an increase in the capital stock from $2,000,000 to $5,000,000.

Lackawanna Steel Earnings Poor

The quarter just ended has been poor for the company from the point of earnings. It would not be surprising if a deficit were reported. It is believed that dividend requirements for the first half of the year were about covered. The company's plants are now running at 65% of capacity, compared with 50% early in June and 30% in May.

Midvale Steel Expands

Returning from the directors' meeting of the company, Pres. Corey, of the Cambria Steel Co., brought with him approval of additions of $3,500,000 to the Johnstown mills.

The appropriations come on top of $10,500,000 recently authorized for plant improvement.

New York Air Brake Earnings Good

The earnings of the company are reported to be running at twice the $10 annual dividend rate. The company has commenced manufacture of trucks and will start deliveries in July.

Representatives of the company are in Buenos Ayres, negotiating with Argentine Government for erection of big shell manufacturing plant by Argentina to be operated by the company. Large quantity of munitions making tools left on company's hands at completion of British and American shell contracts will be shipped to Argentina for new plant if negotiations are successful.

Nova Scotia Steel Operations

The directors of the company, at a special meeting received a report from the management on operations of the company and its subsidiary, the Eastern Car Co., for first five

months of 1919. These reports were most satisfactory. The management reported regarding work on the new Wabana submarine slopes that as a result of improved facilities a large increase in output of ore is now assured. In the shipbuilding department fast progress is being made on two vessels under construction for the Canadian merchant marine.

The Eastern Car Co. reported that recent order for 550 general service cars have been completed and another order for 500 all-steel flat cars is under way. It was also reported that indebtedness of the parent company was all liquidated.

Pierce-Arrow Dividend Passed

The directors of the company passed the usual quarterly dividend on the common stock. Since May, 1917, the company has been paying $1.25 a share quarterly.

After the directors' meeting this statement was issued:

"The earnings for the fiscal year to date have been in excess of $5 per annum on the common stock. On July 1 the company's bank loans were $2,150,000, and its cash on hand exceeded this. But in the remainder of the year the company will need considerable for contemplated expenditures.

Sears-Roebuck Plans Branch

Company plan erection of a large branch at Philadelphia. The company's Pennsylvania business in 1918 exceeded $8,000,000; 10% of its total business is in Illinois.

Republic Motor Truck Income

The income statement of the company for the nine months ended March 31, 1919, as submitted to the N. Y. Stock Exchange, including the Republic Motor Truck Co. of California, shows:

Net sales, $12,039,474; Cost, general exp., etc., $10,545,582; Net profits, $1,493,892. Other income, $169,072; Total income, $1,662,964. Interest, etc., $362,194; War tax provision, $400,000; Surplus, $900,770. Preferred dividends, $49,799; Common dividends, $100,000; Common stock issue exp., $38,472; Surplus, $712,499. Profit and loss surp., Mar. 31, 1919, $5,765,848.

The company, Alma, Mich., has acquired a site near Cleveland and will build a new plant for which considerable equipment will be required.

Stutz Earnings $23 a Share

The company is earning at the rate of $23 a share on the stock and if business continues at the present rate a stock dividend of probably 15% will be distributed this fall. The company is many months behind on orders.

Underwood Profit Sharing

The company notified employes they would receive 20% of 1919 net profits after amortization charges; taxes, 7% on preferred and 6% on common. Distribution will be made April 1, 1920, to employes who have been in service two years. Under this plan company paid to employes in 1916, $293,397; in 1917, $327,663; in 1918, $376,836; total, $997,897. Total of 11,154 shares has been issued to employes.

United Alloy Steel Operations

The company automobile steel producer is now operating its Canton plants at 75% capacity and working back to full time on its normal production.

After heavy taxes and depreciation charges the company carried $500,000 to surplus account for the first six months of 1919, equal to $3 a share, against dividend payments of $2.

For the second half year, with better steel prices and things in working order, profits should run higher.

U. S. Smelting, Refining & Mining Prospects

In the first 6 months of 1919 the company is expected to show profits of over $3 a share on the common stock, after liberal charge-offs. This is improvement over the first quarter.

The company's smelter in Mexico has been brought up to a capacity of 80,000 tons a month, the present output. At Jan. 1 the smelter had a monthly capacity of 60,000 tons.

In the second half of the year operations will result in a better showing.

The company's coal property in Utah, one of the largest in the West, is nearing capacity. Earnings from this property are showing constant improvement.

U. S. Steel Rates Protested

A protest against application of the Pittsburgh, plus freight, basic price to steel products made in Minnesota by the corporation has been filed with Federal Trade Commission by the Superior Commercial Club. The commission is asked to issue an order restraining the corporation from collecting the Pittsburgh base price.

The complaint recites that manufacturers in the head of lakes region labor under a handicap that cannot be overcome as long as the corporation maintains its price schedule as applied to this market. Contention is made that added freight charge from Pittsburgh on steel shipments has resulted in driving away industries that would otherwise have located in this territory.

White Motor Co. Stock Increase

At the stockholders' meeting of the company the increase in the stock from $16,000,000 to $20,000,000 was authorized.

Willys-Overland Labor Troubles

The company, handicapped by labor troubles, shows improvement. The company has 6,000 at work at its Toledo plant. These labor troubles have interfered with Pres. Willy's plan for big production for his new light car designed to compete with the Ford.

Wilson & Co. Makes Money on Hides

In connection with the rise in the company's stock it is pointed out that besides its meat business, the company will benefit greatly by the highly favorable condition in the hide and leather market. Sale of its product of hides at the present abnormally high prices will mean a new source of revenue.

Worthington Pump Surplus

It is learned the surplus of the company was increased by $3,000,000 in the first four months of 1919.

OIL NOTES

Atlantic Refining—New Plant

Company is building an $8,000,000 oil refinery at Brunswick, Ga., along the Turtle River, to serve the section south from Virginia and east of Mississippi.

The refinery will enjoy fine harbor and wharfage facilities for tank-ships and barges. Loading tracks will have room for 50 tank cars.

Capacity will be 10,000 barrels a day. This will be brought in the company's own fleet.

Atlas Petroleum a du Pont Subsidiary

Corporation with $5,000,000 capital has been formed by A. I. duPont, secretary of the E. I. duPont deNemours Co., and several associates. The new concern has begun operations with 33,000 acres of oil land under lease in W. Va. and Texas, containing 7 producing wells. C. A. Patterson, vice-president of the duPont deNemours Co., and S. D. Townsend, Jr., attorney for duPont are among the incorporators. Edward B. Rich and Simon L. Wolfe, oil operators, are interested in the company.

Caddo Central Increased Production

Company's June production was 73,000 barrels of refined oil, against an estimate of 65,000 according to Vice President Qualey.

The company has purchased a site for a new refinery and building operations will begin at once. This will bring the company's refinery capacity to 7,500 barrels daily.

Cities Service Strikes Gusher

H. L. Doherty & Co. received a cable from Tampico, Mexico, stating that Well No. 2 on the Barragan Lease in the Panuco District owned by the Empire Transportation & Oil Co., controlled by the company, blew in with a production of 50,000 barrels a day.

Empire Transportation & Oil Co. already has a large production in the Panuco field, and is the largest owner of leaseholds in this field, controlling 17,000 acres, the larger part proved. Oil was struck at a depth of 2,350 feet, and the rush came so strongly that all tools were thrown out of the well.

Columbia Gas & Electric New Well

Company has brought in a well on its Jane Bird property in W. Va., which flowed 125 barrels in the first six hours with two feet of the pay sand penetrated. This completion

proves up all the drilling locations which have been laid out on both Bird and Cobb farms. Property is located in the famous Cabin Creek district where oil commands a royalty of 50 cents a barrel in addition to the posted market price of $4 a barrel.

Commonwealth Petroleum Stock Issue

Stockholders of the corporation, at a special meeting July 7, will vote on increasing the authorized capital from 200,000 shares to 3,000,000 shares of no par. Pres. Mackey denied the proposed increase was to acquire the Union Oil Co. of California.

Cortez Oil Shipments Increase

The corporation (Port Lobos) shipped 813,541 bbls. from Mexico in May, 1919, an increase of 362,907 bbls. over April.

Cosden & Co. Strike Oil in Desdemona Field

Company has opened up a 1,200-barrel well on the Caruth Farm in Desdemona Field, according to authentic reports. This is in a new pool, which may develop an important production.

Duffy & Gillespie Co. Strikes Large Well

The largest oil strike that has been made in Kanawha County, West Virginia, since the Blue Creek strike, the discovery of a new pool in the Squaw sand, was the drilling in of a well which flowed 50 barrels the first hour, 70 barrels the second and 792 barrels in 12 hours.

The well was on the lease of the Duffy & Gillespie Co., of Pittsburgh, obtained two weeks ago from the Peerless Carbon Co.

Freeport Sulphur Oil Holdings

The company has purchased the holdings of the Pan-American Oil Co. The property consists of producing wells in the Panuco field, a lease in the Isleta field, and a terminal site on the Panuco River. The consideration was not made public. It is stated the purpose in acquiring these holdings is to obtain a reserve supply of fuel for its own use.

General Petroleum Development Plans

Before long the corporation will start active work in the Newhall, Cal., fields. Purchases of the company already extend over a vast area in Los Angeles county and with the addition of more property the corporation has entered Ventura county where drilling work will be commenced this month.

The Amalgamated Oil Co. has also entered this field and is acquiring properties of large extent.

According to a report the Amalgamated and General Petroleum have pooled their interests and have acquired a joint lease of mineral rights on the entire Newhall ranch which extends 16 miles in length.

Humble Oil Construction

Construction of a shipping station of an initial daily capacity of 20,000 barrels of oil, will be started at Texas City by the company, in which Standard Oil of New Jersey owns a half interest.

On the Houston ship channel, at Goose Creek, the company is constructing a refinery of 60,000 barrels daily capacity.

Merritt Oil Having 30 Wells Drilled

The Midwest Refining Co. has arranged to drill 30 additional wells in the Big Muddy field in Wyoming, most of them on the property of the Merritt Oil Corp. The renewal of drilling on a large scale in that field is the result of recent favorable developments. One well, flowing for two years, was recently "cleaned out" and the production jumped from 200 barrels a day to 1,000 barrels.

Increased activity in the Big Muddy field also follows unsatisfactory results in the Lance Creek field, where two important test wells were failures. Drilling supplies and crews are now being sent back to Big Muddy, where development work has proved a large acreage.

National Refining Drills Big Well

The company has struck oil on the Eyestone farm, Marion county, Kansas. The well is said to be producing 4,680 barrels a day.

Ohio Cities Gas Brings in New Well

A 1,000 bbl. oil well has been brought in within 1,000 ft. of the company's G. C. Baught

123 acre lease on the Comanche county and Eastland county line in Texas.

It is also stated that the company's West Virginia properties, where the company owns 140,000 acres, are rapidly being proven and are in advance of previous expectations. The company's casing-head gasoline plants of which there are three in West Virginia and three in Oklahoma, are producing 25,000 gals. of blended product per day, an increase of 8,000 gals. over 1918. It is expected a well will be brought in shortly in New Mexico where drilling has been in progress 60 days.

Phillips Petroleum Stock Issue

The company, Okla., will offer shortly to its common and preferred holders 63,984 shares of its unissued common stock and subsequently will call for redemption its $5,000,000 7% preferred at 105, first giving shareholders the right to convert into common on a basis of two shares of common for a share of preferred. The common then will have outstanding but one class of stock, no bonds and notes and over $4,000,000 in cash. Dominick & Dominick and Laird & Co. of Wilmington, head a banking syndicate that has underwritten the offering of common and the conversion of the preferred.

Prairie Oil Gusher Now Almost Dry

The Emma Terrel well of the Prairie Oil & Gas Co., drilled on the T. & P. lease at Ranger, which was for a long time the largest well in the field, producing over 6,000 barrels a day for over two months, has decreased to a present production of less than ten barrels a day. It is being drilled deeper in the hopes of finding more oil at a lower level. Two or three wells which are only 100 yards away are still doing 2,000 to 3,000 barrels a day. These wells in the black lime often drop badly in production when a new well is drilled nearby. In this case apparently the John Marcum Co.'s wells on the Copeland tract caused the Emma Terrel to dry up.

Shaffer Company Drills New Wells

Officers of Shaffer Oil & Refining Company, the new subsidiary of Standard Gas & Electric Company, state that twenty-four new wells are now being drilled in Oklahoma, Kansas and Texas, and that preparations are being made to put additional drilling outfits to work in the near future. One well in an extension to the Cushing field was brought in June 26 and proved up a considerable amount of acreage. Practically all of the drilling now under way is in the midst of proven territory, and the Company expects a large increase during July and August to its present 4,200 barrel daily production. Six of the new wells being put down are in Kansas, 17 in Oklahoma and one in the Ranger Field in Eastland County, Texas. Near Beggs, Oklahoma, seven wells are in progress which are entirely surrounded by large production.

Simms Oil to Drill in Ranger Field

Preparations by the company, incorporated at Houston, Tex., with $10,000,000 capital for the development of its large lease holdings

are well advanced. The company is a subsidiary of Simms Petroleum Co. The first drilling operations will be in the Ranger field, where it owns proved acreage. Other wells will be drilled in the territory south of Eastland County.

Simms Petroleum Incorporated

The company with 500,000 shares of no par has been incorporated in Delaware. Of the authorized capital 425,000 shares are to be issued. The company will have in its treasury $3,600,000 in cash. The new company owns all of the stock except its directors' qualifying shares of the Simms Oil Co. of Texas, which owns leases of 424,000 acres of Ranger field lands.

The purchase and re-sale of 144,000 shares of stock of the new company is by a syndicate headed by Knauth, Nachod & Kuhne and the proceeds of the sale will go to the treasury of company for development of the properties of the Texas corporation and other purposes.

Sinclair Consolidated Oil Operations

The corporation plans to bring refining capacity—now 50,000 barrels daily—up to 100,000 barrels daily.

Through its affiliations, it will own and control 7,000,000 acres of oil lands throughout the world, 4,000 miles of trunk and gathering lines, 12 refineries and 4,000 tank cars.

This is the beginning of one of the most extensive plans of a petroleum company since the old Standard Oil Co.

Work will be started immediately on a new pipe line from Healdton, Okla., to the Burkburnett field, Texas, 60 miles, and the construction of a parallel line from the Healdton field to Cushing, Okla. This will be coincident with the development of the corporation's 600,000 acres recently acquired in the north central Texas field.

Sinclair Gulf Pipe Line—New Tank

A large tank farm for the storage of crude oil will be built by the company in the Burkburnett field, Texas, to accommodate the flow from the new 8-inch pipe line extending from Healdton, Okla., and another from Healdton to Cushing, Okla.

The company will then have 4 lines converging at Healdton, two from the Texas field and two running north to its Cushing connection with the Sinclair-Cudahy pipe line system. The latter extends as far as Whiting, Ind., near Chicago.

Work on the company's line from Healdton to Ranger, Texas, is advancing rapidly, and it is expected that the last pipe will be connected July 4.

Sinclair Oil to Issue New Stock

A special meeting of the company and the Sinclair Gulf Corp. has been called for July 18 to increase the capital of the company from 1,500,000 to 2,500,000 shares, of no par, and an increase in the capital of the Sinclair Gulf from 1,000,000 shares to 2,000,00 shares of no par.

It is understood there will be no public participation in this stock increase.

The struggle for control of European oil markets will be three-cornered between Sinclair Oil, Standard Oil and Royal Dutch companies, and Allan A. Ryan may join Sinclair with its independent combination of Texas and Oklahoma oil companies. Estimated German requirements in next year will be more than 1,100,000 tons of oil.

Sure-Pop Co. Opens Big Burkburnett Well

The Sure-Pop Co., a local promotion of the Burkburnett field, drilled in a well producing over 3,000 barrels its first day, on block 75 of the Northwest extension of the Burkburnett field. This well is two miles west of the Burk-Wagoner, and is regarded as showing the wide extent of the Burkburnett pool. The Texas Chief well, two miles north of the Burk-Wagoner, is still producing over 1,000 barrels a day.

Texas Co. Builds New Terminals

The company reports that it has improved its refineries and ocean terminals and is constructing four additional terminals at Tampa, Pensacola, Key West and Savannah. Four hundred miles of pipe line have recently been added.

The company has completed its Boyd No. 2 well in the Ranger district, which came in with an initial flow of 3,600 barrels a day. The company has also completed an 800 barrel well in the Burkburnett field.

This is the second big well for the company in a few days, the first one being Stoker No. 2 in Stephens County, with an initial flow of 3,500 barrels.

White Star Refining—New Refinery

The purchase of tracts of land in the St. Louis district for the immediate erection of two large oil refineries, one by this company of Detroit and the other by the Tidewater Oil Co., of Bayonne, N. J., was announced by Industrial Commr. Edgar Gengenbach, of the Chamber of Commerce. The establishment of refineries by these companies in this district will make St. Louis one of the greatest oil refining centers in the U. S.

The company has purchased a tract of 60 acres at Woodriver, Ill., and will at once erect a large oil refinery. The Tidewater Oil Co. for its plant has bought a 231-acre tract.

Mexican Refining & Producing

Company, recently financed by Norwegian capital, has brought in a well of 40,000 barrels daily production upon its lease at Isleta.

The flow was struck at a depth of 2,303 feet. It was quickly brought under control. The company is erecting storage tanks and will provide pipe line and terminal facilities.

Midwest Refining Brings New Well

Well estimated at 1,500 barrels a day has been completed in the Big Muddy field on land owned by Northwest Oil Co. and Young Oil Co. and operated by Midwest Refining Co. It is believed this well may become one of the biggest producers in the field, as it has a production from four sands.

Company is to build a large capacity refinery at Guernsey, Wyo., according to advices from Denver. This makes the fifth plant. The Laramie plant is now in the course of construction.

When the new plants are completed the company will have a refining capacity of 65,000 bbls. a day, and this will eventually be increased to 100,000.

The company recently completed its lubricating and wax plant, and Midwest lubricating products are now being sent eastward.

New Well for Invincible Oil

Advices have been received from Ranger that one of the properties in which the company is interested has brought in a 2,500-bbl. well.

Pan-American Working at Capacity

Company's oil tankers continue in operation loaded at capacity. In May, despite increased demand for its tankers by the Mexican Petroleum Co., six of its vessels made shipments for the Texas Co., carrying 280,000 barrels of oil. In addition, several other companies used Pan-American vessels in transportation of their oil to the U. S.

Pierce Oil—Preferred Issue

Corporation has sold to Lehman Bros. and Goldman, Sachs & Co. $15,000,000 of 8% cumulative convertible preferred stock.

It is proposed to call for payment all of the outstanding convertible notes and debentures of the company, and to offer to the holders the opportunity to exchange their debentures into the new preferred stock, $1,000 face value of debentures for each ten shares of preferred stock of the par value of $100. The preferred will, in turn, be convertible up to Jan. 1, 1922, into an equal par amount of non-voting common stock to be authorized. A special meeting will be called to ratify the sale.

Mexican shipments of the company in May, 1919, were 131,544 bbls., against 68,181 bbls. in April.

PUBLIC UTILITY NOTES

B. R. T. May Charge for Transfers

At the conclusion of the argument before P. S. Commissioner Nixon on the application of the company to charge 3 cents for transfers on its surface lines, the Commissioner said he would give the company relief if he were advised he had the power.

The U. S. Circuit Court of Appeals has affirmed Judge Mayer's order authorizing Receiver Garrison of the company to issue receiver's certificates for $20,000,000 to run the

system. Appellate Court modified the order which made the certificates a lien superior to that of the first refunding gold mortgage of the company by maintaining that mortgage unimpaired.

Milwaukee Electric Gets Decision

The Wis. State Supreme Court on June 25 handed down a decision sustaining the findings of the Circuit Court of Dane County, denying a temporary injunction, restraining the R. R. Commission from proceeding to determine the application of the company for leave to issue $1,600,000 of common stock in part payment for the purchase of the utility property of Milwaukee Light, Heat & Traction Co. Deeds were executed and delivered covering this property on Feb. 11, 1919.

In commenting upon the decision of the Supreme Court, S. B. Way, Vice-President and General Manager said: "The contention of the electric company in the matter of the purchase of the property of Milwaukee Light, Heat & Traction Co. has apparently finally been vindicated by the decision of the Supreme Court. In this, as in a considerable number of other cases in which the city attorney has appealed to the Supreme Court, the decision has been against the city."

New York Rys. Two Cent Transfers

Two cents will be charged for transfers at 99 of the 113 transfer points in Manhattan in a week. An order will be issued by P. S. Commissioner Nixon, at once and will affect the "green car" surface lines.

This was announced at the close of the hearing on the application of Receiver Hedges, for the company, to charge 3 cents for transfers.

The application was fought by the city authorities, who made no attempt, however, to put in testimony contradicting witnesses by the railroad company showing it is operating at a loss.

Witnesses for the company testified that at 2 cents the revenue from transfers would net $748,000, or just enough to pay the rentals on the leased lines.

It was further testified a higher fare would have to be charged to enable the company to meet interest on bonded indebtedness and create an amortization fund for outstanding mortgages.

Ohio Electric Ry. Expansion

The company contemplates improvements to its local plant, involving an expenditure of $200,000. The company also plans to build in the next five years, either at Indian Lake or Scotts Crossing, a power plant to cost $2,-000,000.

Pacific Telephone & Telegraph Strike.

The strike of operators and linemen of the company has spread in Oregon and Washington. These employees were called out after the California and Nevada telephone workers failed to reach an agreement with the company upon wages.

475 workers went out at Portland. At Yakima and Seattle the operators walked out, but the company announced that service was being maintained. The secretary of the workers' union at Spokane announced he would call out the men there.

Philadelphia Rapid Transit Co. Wage Increase

Wage increases of three cents an hour for all conductors, motormen and trainmen in its employ were put into effect by the company. It was announced that the wages of other employes of the company would be adjusted as soon as necessary data were obtainable.

Under the new schedule the maximum wage paid to men a year in the employ of the company is 51 cents an hour.

It was stated the increase was in conformity with the co-operative plan of the company, which provides a permanent basis of adjusting wages by averaging the wage scales of four cities covered by the award of the War Labor Board, August, 1918. The maximum wage, paid to transit operators in Detroit, was 60 cents an hour. That in the other three, Chicago, Cleveland and Buffalo, was 48 cents.

Toledo Rys. & Light Co. Stops Car Lines

The City Council of Toledo has ordered the company, a subsidiary of Cities Service, to vacate the streets over which the lines of the company operate by Aug. 1, this action not affecting the operations of the electric light and power or gas departments.

This follows the action of the company in increasing street car fares from five cents and one cent for transfers to six cents and two cents for transfers. This increase was rendered necessary by the award of the War Labor Board increasing wages of employes.

For some time the street railway department of the company has furnished transportation facilities to Toledo and suburbs at a loss. The Cities Service management, therefore, takes this act of the City Council as affording relief from the intolerable conditions under which the Toledo company has been operating.

United Rys. of St. Louis in Financial Straits

The company has made application to the State Board of Equalization that its assessment for 1919 taxes be not increased this year. Attention was called to its financial straits saying that the Government threatens to foreclose on the loan of $3,500,000 made the company, and it is claimed this would disrupt the company. The property was assessed at $22,-000,000 last year. It is said it would not exceed that figure this year. It is understood the securities of the company decreased 15% in the last year and the company has little or no credit now.

Attorney for the receiver of the company has consented to the special master in receivership, Judge Lamm's, application to issue $2,500,000 receiver's certificates to take the

same amount of loans obtained from the War Finance Corp.

Virginia Railway & Power Earnings

Earnings—May gross, 1919, $743,505; 1918, $668,162. Net, 1919, $305,152; 1918, $290,587. Total income, 1919, $320,684; 1918, $298,265. Surplus after charges and tax, 1919, $153,816; 1918, $134,317. Eleven months gross, 1919, $7,673,497; 1918, $6,767,149. Net, 1919, $2,700,013; 1918, $3,070,060. Total income, 1919, $2,842,528; 1918, $3,178,446. Surplus after charges and tax, 1919, $910,592; 1918, $1,416,630.

These figures do not include depreciation. In Jan., 1919, the company deferred payment of the 3% semi-annual dividend on its outstanding $7,999,400 6% preferred stock, which had been paid since 1915. Earnings for eleven months to May 31, 1919, show over $11 for the preferred, before depreciation.

Standard Gas & Electric Earnings

Combined earnings of the utility subsidiaries of Standard Gas & Electric Company for the month of May, 1919, and the twelve months ended May 31, 1919, compared with corresponding previous periods, are reported as follows: Gross earnings, 1919,$2,065,011; 1918, $1,712,475; increase, $352,536. Net earnings, 1919, $761,418; 1918, $676,770; increase, $84,648. Year ending May 31, gross earnings, 1919, $25,330,873; 1918, $20,803,854; increase, $4,527,019. Net earnings, 1919, $9,421,792; 1918, $8,575,369; increase, $846,423.

These earnings do not include those of the recently acquired Shaffer Oil & Refining Company.

MINING NOTES

Ahmeek Production Reduced

Company reported May, 1919 production of 1,117,984 lbs. copper, against 1,490,311 lbs. in April.

Allouez Production Halved

Company reported May, 1919, production as 190,000 lbs. copper, compared with 335,480 lbs. in April.

American Smelting & Refining Operations

Through the recent disturbances in Mexico the company maintained four of its furnaces in operation at Chihuahua. Mining and smelting operations have been kept up and are expected soon to increase.

Interstate-Callahan to Resume Operations

Company plans early resumption of full operations, due to the advance in the price for zinc to 7c per lb.

Important interests associated with silver producing properties are said to be seeking control of the company.

Granby's Plant Closed

Company's smelter at Grand Forks, B. C., has closed owing to the cessation of coke shipments from Crow's Nest Pass, incident to the coal miners' strike, and it is announced the plant will not be reopened.

Greene Cananea Production

The company produced 3,000,000 lbs. copper, 147,790 ozs. silver, and 700 ozs. gold in June, 1919, against 3,000,000 lbs. copper in May.

Hobart Mining Co.'s Decision Reversed

In a decision the Minnesota Supreme Court ruled that the royalty of 25c. a ton to the State mentioned in leases of State-owned ore lands, applies to iron ore as removed from the natural bed and not upon the concentrated tonnage. State mineral experts estimate the decision means increased revenue of $2,500,000 annually. The ruling is a reversal of the decision of the St. Louis County District Court, which decided in favor of the Hobart Mining Co. in a suit against it by the State.

Kerr Lake Production Dwindling

It is stated that the company produced 104,477 ozs. silver in April and 105,582 in May. Dwindling production of Kerr Lake is indicated by the monthly record and comparisons, which show half as much silver produced in the first five months of 1919 as in 1918. Production figures, in ozs., compare:

January, 1919, 118,985; 1918, 204,641. February, 1919, 95,213; 1918, 204,153. March, 1919, 104,101; 1918, 207,153. April, 1919, 104,477; 1918, 201,633. May, 1919, 105,582; 1918, 268,213. Totals, 1919, 528,358; 1918, 1,085,793.

Mother Lode Copper Mines to Dissolve

A special meeting of trustees of the company will be held to call a stockholders' meeting in Seattle, Wash., to authorize dissolution of the company and the distribution of its corporate assets, including 1,225,000 shares of the Mother Lode Coalition Mines Co.

This is held in the treasury of the company, in accordance with a contract of sale with President Birch, of Kennecott Copper Corp., dated May 7, 1918, and with decision of the Supreme Court of Washington, filed March 28, 1919.

Triangle Silver Mines, Ltd., Formed

Arrangements have been made to resume work in the Montreal River District, on the former property of the Kenabeek Consolidated Mines. Pumping out the shaft is under way.

The new company is known as the Triangle Silver Mines, Ltd., with authorized capital of 2,000,000 shares par $1, 1,000,000 shares of which is in the treasury. It is understood the new company has made arrangements to pay off certain of the debts of the Kenabeek Consolidated.

The property consists of 320 acres and is equipped with a steam-driven mining plant.

U. S. Smelting Statement

A statement issued by directors of the company says:

"The earnings in first half of 1919 will show $3,083,704, from which deduct $1,043,223 for depreciation, depletion, Federal taxes on last year's income, and marking down of metals in the first quarter, leaving an estimated net profit of $2,040,481. This at the rate of 7% per annum on the preferred stock plus $3.39 per share for the six months on the common.

"Operations in Mexico continue without interruption. The average tonnage of ore produced and milled will be 68,000 tons per month for the first half of the year, compared with 58,000 tons a month in 1918. Commencing with July, it is expected this rate will be increased to 80,000 tons monthly."

Utah Copper May Production

The company's output for May, 1919, was 9,125,000 lbs. copper, against 9,420,000 lbs. in April.

Wolverine Copper May Production

The company produced 352,130 lbs. copper in May, 1919, against 493,860 lbs. in April.

MARKET STATISTICS

	N. Y. Times 40 Bonds.	Dow Jones Avgs. 20 Inds.	Dow Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Total Sales
Monday, June 30	77.91	106.98	86.56	87.83	86.63	1,091,535
Tuesday, July 1	77.86	108.13	86.28	87.82	86.19	1,154,605
Wednesday, July 2	77.78	108.56	86.56	88.79	87.42	1,463,600
Thursday, July 3	77.75	109.90	86.89	89.68	88.17	1,710,090
Friday, July 4				Holiday		
Saturday, July 5				Holiday		
Monday, July 7	77.78	109.41	87.66	90.94	88.81	2,031,682
Tuesday, July 8	77.67	109.97	87.76	90.45	89.00	1,627,929
Wednesday, July 9	77.69	110.46	88.59	91.08	89.73	1,619,785
Thursday, July 10	77.65	110.00	87.87	90.84	89.18	1,655,425
Friday, July 11	77.66	109.92	88.10	90.67	89.50	1,587,540
Saturday, July 12	77.61	110.71	88.22	91.18	89.98	813,300